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USDC SCAN INDEX SHEET

















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3:96-CV-01023 BRADLEY V. HOFFENBERG

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96-00-1023 #350 FINAL PART 2 OF 2

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UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

In re TOWERS FINANCIAL CORPORATION NOTEHOLDERS LITIGATION NOTEHOLDERS

> 93 C1v. 0810 (WK) Master File No.

EXPRESS AND U.S. MAIL PROOF OF SERVICE BY FEDERAL

This Document Relates Cases

(18) years of age; that I am not a party to this action; and that I hereby certify that I am not less than eighteen

on June 10, 1994, I served a true and correct copy of the

following documents:

SECOND CONSOLIDATED AMENDED CLASS ACTION COMPLAINT; and

service list, by United States first class mail. on all other parties in this action, listed on the attached by Federal Express to those indicated with two asterisks (**) and PROOF OF SERVICE BY FEDERAL EXPRESS AND U.S. MAIL

Document 350-1

of 344

Proof of Service by Federal Express and U.S. Mail

Martin F. Brecker ANDERSON KILL OLICK & OSHINSKY, P.C.

666 Third Avenue New York, NY 10017 Phone: (212)850-0700 FAX: (212)850-0733

Phone: (214)542-0191 McKinney, TX 75069 P.O. Box 1179 BOYD VEIGEL, P.C. William M. Boyd (214)542-4532

East Lansing, MI 48823 Phone: (517)351-3700 FAX: (517)332-4122

Suite Three

FARHAT, STORY & KRAUS 4572 S. Hagadorn Road Richard C. Kraus

Arthur Ferro

Valley Stream, NY 11580

Garden City, NY Phone: (516)746-4300 KASE & DRUKER 1325 Franklin Avenue Paula Frome (516)742-9416

** KRAMER, LEVIN, NAFTALIS, 0
919 Third Avenue
New York, NY 10022
Phone: (212)/15-9100
FAX: (212)688-2119 Philip S. Kaufman e († 2

7965 Soquel Drive HONTEREY BAY SECURITIES Aptos, CA 95003

*

** Frederic W. Yerman
KAYE, SCHOLER, FIERMAN, HAYS & HANDLER
425 Park Avenue, 12th Floor
New York, NY 10022
Phone: (212)836-8000
FAX: (212)836-8689

Joseph E. Coughlin 115 South LaSalle Street Chicago, IL 60603 Phone: (312)443-0700 FAX: (312)443-0570 LORD, BISSELL & BROOK Suite 3200

pavid H. Marion Phone: (215)665-7200 FAX: (215)636-9373 Three Parkway, 20th Ploor Philadelphia, PA 19102 MONTGOMERY, MCCRACKEN, WALKER & RHOADS David L. Grove

260 Madison Avenue

New York, NY 10016 Phone: (212)679-2900

(212)679-1844

HOFFMAN & POLLOK Edward Gasthalter

Page

Marvin Basson 24 Winding Lane Upper Brookvill, NY 11545

Service List for Towers Livigation - Defendants' Counsel

Page

pard J.M. Little (STARD A. Cabill L. ZUCKERMAN, SPARDER, GOLDSTEIN, et al. J. 1114 Avenue of the Americas L. New York, NY 10036 - Phone: (212)479-6500 3.9 6.0 7.0 6.0 7.0 7.0 7.0 7.0 7.0	Jasper A. Cragwall MARNER, NORCROSS & JUDD 900 Old Kent Building M 111 Lyon St., N.W. U Grand Rapids, MI 49503 C Phone: (616)459-6121 D FAX: (616)459-2170	#Robert J. Jossen SHEREFF, FRIEDMAN, HOFFMAN & GOODMAN 919 Third Avenue New York, NY 10022 Whone: (212)758-9500 FAX: (212)759-5368	J. ROTHLISBERGE	7 Charles S. Rudy 7 RAYMOND & PROKOP 20 2000 Town Center, Suite 2400 Southfield, MI 48075 D Phone: (313)357-2010 e FAX: (313)357-2720	Michael L. Kirby POST KIRBY NOONAN & SWEAT 600 West Broadway Marrica Plaza, Suite 1100 San Diego, CA 92101-3355 Phone: (619)231-8666 Phone: (619)231-9593
Lisa A. Cahill ZUCKERMAN, SPAEDER, GOLDSTEIN, et al. 1114 Avenue of the Americas New York, NY 10036 Phone: (212)479-6500 FAX: (212)479-6512	Mark E. Housman Jeffery A. Sims WILSON, ELSER, MOSKOWITZ, et al. 150 East 42nd Street New York, NY 10017-5639 Phone: (212)490-3000 FAX: (212)490-3038	Douglas M. Kraus SKADDEN, ARPS, SLATE, MEAGHER & FLOM 919 Third Avenue, 43rd Floor New York, NY 10022 Phone: (212)735-3000 FAX: (212)735-2000	* James A. Shanman SHARFMAN, SHANMAN, PORET & SIVIGLIA 750 Lexington Avenue New York, NY 10022 Phone: (212)935-7711 FAX: (212)935-5095	James P. Nunemaker, Jr. RIVKIN, RADLER & KREMER EAB Plaza Uniondale, NY 11556 Phone: (516)357-3000 FAX: (516)357-3333	Robert K. Payson POTTER, ANDERSON & CARROON 350 Delaware Trust Building P.O. Box 951 Wilmington, DE 19899 Phone: (302)658-6771 FAX: (302)658-1192
Mark Gaffney Robert N. Kaplan KAPLAN & KILSHEIMER 685 Third Avenue 26th Floor New York, NY 10017 Phone: (212)687-1980 FAX: (212)687-7714	GILMAN & PASTOR One Boston Place 28th Floor Boston, MA 02108 Phone: (617)589-3750 FAX: (617)589-3749	Terrence A. Corrigan Douglas Flaum FRIED, FRANK, HARRIS, et al. One New York Plaza New York, NY 10004-1780 Phone: (212)820-8000 FAX: (212)747-1526	Edward A. Grossmann BERNSTEIN LITOWITZ BERGER & GROSSMAN 1285 Avenue of the Americas 33rd Floor New York, NY 10019 Phone: (212)554-1444 FAX: (212)554-1444	David Berger Sherrie R. Savett BERGER & MONTAGUE, P.C. 1622 Locust Street Philadelphia, PA 19103 Phome: (215)875-3000 FAX: (215)875-4604	Jill S. Abrams ABBEY & ELLIS 212 East 39th Street New York, NY 10016 Phone: (212)889-3700 FAX: (212)684-5191

Bertram Bronzaft Scott Fisher

GARWIN, BRONZAFT, GERSTEIN et al. 1501 Broadway, Suite 1416 New York, NY 10036 Phone: (212)398-0055 FAX: (212)764-6620

Jonathan T. Walton, Jr.
John E. Berg
CLARK, KLEIN & BEAUMONT
1600 First Federal Building
1001 Woodward Avenue
Detroit, HI 48226-1962
Phone: (313)965-8300
FAX: (313)962-4348

Glen DeValerio & PEASE BERHAN, DeVALERIO & PEASE One Liberty Square Boston, MA 02109 Phone: (617)542~8300 FAX: (617)542~1194

San Jose, CA 95113 Phone: (408)289-1776 FAX: (408)287-1776

Suite 1080

Richard Alexander THE ALEXANDER LAW FIRM 55 South Market Street

Vance Opperman SCHATZ, PAQUIN, LOCKRIDGE, et al. 100 Washington Street South

Minneapolis, HN 55401 Phone: (612)339-6900 FAX: (612)339-0981

Suite 2200

Daniel C. Girard
Karen E. Karpen
LIEFF, CABRASER & HEIMANN
Embarcadero Center West
275 Battery St., 30th Floor
San Francisco, CA 94III
Phone: (415)956-1008
FAX: (415)956-1008

Robert A. Skirnick WECHSLER, SKIRNICK, HARWOOD, et al 55 Madison Ave., 18th Floor New York, NY 10022 Phone: (212)935-7400 FAX: (212)753-3630 14th Floor New York, NY 10017 Phone: (212)490-9550 FAX: (212)986-0158 Curtis V. Trinko
LAW OFFICES OF CURTIS V.
310 Madison Avenue Service List for Towers L ... igation - Plaintiffs' Coun | TRINKO <u>.</u> WOLF, POPPER, ROSS, WOLF 845 Third Avenue New York, NY 10022 Chicago, IL 60606 Phone: (312)201-1616 FAX: (312)201-1538 Stephen Lawrence Walner
LAWRENCE WALNER & ASSOCIATES
150 North Wacker Dr. D. Gestreich Page Ř JONES

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(212)759-4600 (212)486-2093

Cattle -

first lawying . Low

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East Peoria, IL 61611

American Municipal Securities, Inc.

Accuvest,

180 Main Street

IN RE TOWERS, FINANCIAL, CORPORATION, NOTEHOLDERS, LITIGATION Master File No. 93 Civ. 0810 (WK)

BROKER-DEALER SERVICE LIST

Smithown, NY 11787 333 South 7th Street 2700 Lincoln Centre Suite 231 Allison-Williams Co.

Salina, KS 67402 American Heartland Investments, 219 South Santa Fe

Marina Del Ray, CA 90292 Amerivest Financial Group, Inc. Suite 111 14001 Palawan Way

Barron Chase Securities, Inc. Austin, TX 78746 Suite B-220 Tampa, FL 33607 5810 West Cypress Street Suite H

APS Financial Corporation 1301 Capital of Texas Highway

One Boca Place, Suite 212E Boca Raton, FL 33431 2255 Glades Road

Minneapolis, MN 55402-2426 American Investment Services, Inc. 100 North Main Street Inc Salina, KS 67402 600 S. Highway 169 Wichita, KS 67202 Suite 62 220 West Douglas P.O. Box 1303 American Investors Group, Inc.

489 Bethelehem Pike, #500 Montgomeryville, PA 18936 American Preferred Securities

Ambassador II, Suite 520 Kansas City, MO 64153-0676 Andover Securities 11020 Ambassador Drive

Arundel Securities, Inc. Annapolis, MD 21401 Bench Securities 79 West Street

Fort Lee, NJ 07024 Two Executive Drive Fort Worth, TX 76102 Alliance Financial Group, 1600 West 7th Street Į.

American Discount Securities, 50

American Heartland Investments, Inc.

Minneapolis, MN 55426

5th & Chestnut Streets Capital Strategies, Ltd. P.O. Box 507 111 N. Vermillion Street Burnside & Company

Suite 700 Chapman Securities, 150 North Main Philadelphia, PA 19106 Lafayette Building, Suite 615 Inc.

Falmouth, MA 02540 15 Simpson Laine Coastal Equities, Inc.

Wichita, KS 67202

Waltham, MA One University Commonwealth 02154 Park Equity Services, Inc. Pittsburgh, PA 15222 Suite 500 Warner Center Pierchalski Berkowitz

Blue Coral Capital 9001 Gaylord

BOE & Company, Inc. 13791 East Rice Place

Suite 142

Houston, TX 77023 Suite 500 Das A. Borden & Associates

First Federal Building Florence, AL 35630

Englewood, CO \$0111 675 DIC Boulevard Suite 180 Brennan Ross Securities

Rochester, NY 14618-1487 Brighton Securities 1703 Monroe Avenue

Danville, IL 61832-0507

West Lobby

Englewood, CO 80111 6300 South Syracuse Way Suite 430 Cohig & Associates

22971 Sutro Street Consolidated Financial Serv., Inc.

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Sausalito, CA 94965 Suite 305 300 Valley Berman & Stickel, Inc.

l Los Olas Circle Apt. 904 Ft. Lauderdale, FL 33316 Boteo Tachkov Aurora, CO 80015

29 Tobey Court Pittsford, NY 14534 Brent Capital Corp.

Capital Focus 400 South Broadway Wichita, KS 67202 Brown Church Securities, Inc.

San Francisco, Ca 94133

2657 Leavenworth

St. Petersburg, FL 33710 Certified Investments Corp. 6740 Crosswinds Drive N.

Tulsa, OK 74103 S.C. Coast Company, Inc. 320 South Boston Avenue

Hayward, CA 94541

6033 Monona Madison, WI 53716 5777 S. Rapp Street Littleton, CO 8012 Consolidated Investment Serv., Inc. Coordinated Capital Securities Drive

Laguna Niguel, Ca 92677 115 South Main Street Salt Lake City, UT 84111 Covey & Co., Inc. 28202 Cabot Road Suite 110 Corporate Benefit Securities,

124 West Capital Avenue 2000 Union National Plaza Crews & Associates, Inc. Little Rock, AR 72201

Cumberland Brokerage Corporation 614 Landis Avenue Vineland, NJ 08360

Danville, CA 94526 Cypress Capital Corp. 315 Diablo Road 437 Ontario David D. deBarardinis Suite 222

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39 Harbour Court Staten Island, NY Dominick Zaccoli

Shreveport, LA 71106

Minneapolis, MN 55402 Dougherty, Dawkins, Strand 100 S. 5th St., Suite 2300 & Bigelow, Inc.

Inc. Boca Raton, FL 33432 Corporate Securities Group, 980 North Federal Highway New Orleans, LA 70130 Suite 213 Cope Investment Corporation 700 South Peters Street Chicago, IL 60603-1604 Cooper Investment Partners
39 South LaSalle Street 1975 East Maple Suite 210

Ыc

Troy, MI 48083 Suite Crane & Co. Securities, Cullum & Sandow Securities, Inc. Inc.

Dallas, TX 75201 Suite 4343 1601 Elm Street

Cumberland Brokerage Corporation P.O. Box 663 60 South 6th Street Dain Bosworth Plaza Dain Bosworth, Inc Vineland, NJ 08360

855 Sterling Suite 100 **Dean Lopnow**

Minneapolis MN 55402

Palatine, IL 60067

776 Shrewsberry Avenue Tinton Falls, NJ 07724 Donald & Co. Securities, Inc.

20542 Harper Avenue Harper Woods, MI 48225 East-West Capital Corporation

Ļ

Vista, CA 95735 Suite 105 550 W. Vista Way F. Merle Nicholson

> F.J. Garber & Company P.O. Box 235

Sioux City, IA 51102

Federated Securities, Inc. Healdsburg, CA 95448 Suite A

> Englewood, NJ 07631 P.O. Box 263 Falk & Associates, Inc.

Inc.

P.O. Box 214 Huntington Station, NY 11746

Palm Springs, CA 92262 Suite 300 255 North Ciello Road Inc

La Jolla, CA 92037 Suite 500 4225 Executive Square First Affiliated Securities

First Interregional Equity Corp. Santa Clara, CA 95051

Short Hills, NJ 07078 2300 Windy Ridge Parkway Suite 1100 FSC Securities Corporation 830 Morris Tumpike

Denver, CO 80202 Suite 400 1800 Glenarm Place

Gill & Associates, Inc. Marietta, GA 30067

Beverly Hills, CA 90211 8484 Wilshire Boulevard Greenbrier Diversified, Inc. 1500 Lytton Springs Road FAIC Securities

Financial Goal Securities,

Brokerage, Inc. 801 Sarasota Quay Sarasota, FL 34236

Financial Information Centers Kansas City, MO 64131 600 East 103rd Street Financial Consultants,

2975 Bowers Avenue Suite 304 First California Securities

North Miami Beach, FL 33180 First Miami Securities, Inc. 20660 West Dixie Highway

Honolulu, HI 96813

Suite 950

900 Fort Street Mall

First Honolulu Securities, Inc.

Chico, CA 95928 430 Broadway

First Associated Securities Group

Schaumburg, IL 60173 Suite 550 1827 Walden Office Square Ģeneva Securities, Inc.

3200 Northwestern Highway, Farmington Hills, MI 48018 Great Lakes Equities Co. Highway, /130

284 Millburn Avenue Наіреп & Сотрапу, Ħ

Millburn, NJ 07041

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BONELLACTIVES. NO

Ý

Suffolk, VA 23434

110 Bank Street Investors Security Co

Madison, WI 53719 Houston Investment Corp. One Odana Court Harbor Investments, 003 Wirt Road Inc.

4307 Central Pike Hermitage, TN 73076 Huntingdon Securities Houston, TX 77055

Investment Brokers of America 495 Miller Avenue Mill Valley, CA 94941

Milwaukee, WI 53202 424 E. Wisconsin Avenue J.E. Liss & Company

Jinco Leasing Corp. 2865 S. Colorado Blvd., Suite 250 Denver, CO 80222

Suite 210 Boca Raton, FL 33432 980 North Federal Way IW Charles Securities, Inc.

Minneapolis, MN 55402 Kinnard (John G.) & Company, Inc. 1700 Northstar West

Chicago, IL 60606 250 S. Wacker Drive, 10th Floor LaSalle St. Securities,

> Dallas, TX 75201 Suite 1540 IFP, Inc. 2001 Bryan Tower P.O. Box 190666 Third National Bank Bldg. Chicago, IL 60603 Howe Barnes Investments, 153 South LaSalle Street Nashville, TN 37219 Heidtke & Company, Inc.

> > Ę

Dominican Towers, 24th Floor Norfolk, VA 23510 999 Waterside Drive investment Corporation of Virginia

Wichita, KS 67201 245 North Waco, Suite 525 Manhattan Beach, CA 90266 O. Davidson & Associates,

3208 Manhattan

J.B. Bogart & Associates, Inc.

4138 Round Valley Circle Stockton, CA 95207 (f/k/a Pacific Inland Securities) Joe Middlesworth

P.O. Box 3160 Paso Robles, CA 93447 Kelmoore Investment Co

Kurz-Liebow & Co., Inc. 70 West 40th Street 2029 Century Park East New York, NY 10018 Lindsay Financial Corporation

Suite 320

Los Angeles, CA 90067

30 Wall Street New York, NY 10005

Moneta Securities Corporation Commack, NY 11725 340 Veterans Memorial Highway

5350 S. Rosyln Street Suite 310 Multi Financial Securities Englewood, CO 80155 Corporation

Denver, CO 80202 Neidiger, Tucker, Bruner, Inc. Plaza Level - Suite 300 1675 Larimer Street

Suite 321 Corporation Encino, CA 91436 16830 Ventura Boulevard Pacific Continental Securities

Boston, MA 02110 155 Federal Street, 14th Floor Linsco/Private Ledger Corp.

310 Madison Avenue New York, NY 10017 Suite 1205

Martin Kaiden Co.

90 South 7th Street Minneapolis, MN 55402 2850 Northwest Center Maven Securities, Inc.

P.O. Box 5677 Greenville, SC 29606 McCarley and Associates, Inc

McLaughlin, Piven, Vogel Securities Inc.

Apios, CA 95003 Montercy Bay Securities 7965 Soquel Drive

Suite 1350 28411 Northwestern Hwy. Multi-Bank Securities, Inc.

2680 Horizons, SE F-1 Grand Rapids, MI 49506 Outstanding Investments

Renton, WA 98055 Suite 250 St. Louis, MO 63146 M.E. Metzler Organization
111 Westport Plaza

Houston, TX 77002 333 Clay, Suite 4000 McCarley and Associates, Inc. Masterson Moreland Sauer Whisman, Inc.

McClurg Capital Corporation 242 S. Pleasantburg Drive Greenville, SC 29607

235 Montgomery Street San Francisco, CA 94104

Monarch Financial Corporation New York, NY 10111 45 Rockefeller Plaza, 35th Floor of America

Southfield, MI 48034

Pacific West Securities, 2000 Benson Road Inc

Sentilerrice ton

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direction rise, law

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618 U.S. Highway 1 North Palm Beach, FL 33408 2nd Floor Palm Beach Financial, Inc.

Portfolio Management

P.O. Box 7104 Princeson, NJ 08543 Denver, CO 80202 555 17th Street, 14th Floor Princeton Equity Securities, Consultants, Inc. Įης

Quadrex Securities Queensway, Hong Kong East Tower, Bond Centre 14th Floor

Farmington Hills, MI 48331 Questor Financial Services 33742 W. 12 Mile Road

Suite 100 801 Nicolet Mall

Chicago, IL 60604 Suite 600 208 South LaSalle Street

45 Essex Street Rickel & Associates, Inc

Millburg, NJ 07041

Republic Securities, Inc.

Little Rock, AR 72205 10310 W. Markhom, #300 P.O. Box 4994 Resource Investment Partners

Rhodes Securities, Inc. 306 West 7th Street, Suite 505 Fort Worth, TX 76102

Oklahoma City, OK 73120 Park Avenue Securities, Inc. 9520 North May Suite 390

Princeton, NJ 08543 621 Alexander Road Princeton Equity Securities, ЫĊ

Eden Prairie, MN 55344 7901 Flying Cloud Drive Protective Group Securities Attn: Mike Flannagan Corp.

R.J. Steichen & Co. Fair Oaks, CA 95628 Quest Securities, Inc. 10940 Fair Oaks Boulevard Suite 100

Minneapolis, MN 55402 600 East Colonial Drive Republic Securities of America, Inc.

Recirement Investment Group 1003 Wirt Road, Suite 302 Houston, TX 77055 Orlando, FL 32803 Suite 100

Kenneco Bldg. Salt Lake City, UT 84133 10 E.S. Temple Street Richards Investment

Rose Securities
1935 Camino Vida Roble Carlsbad, CA 92008

> Schneider Securities, Inc. 104 Broadway

Securities Service Network, Inc. 222 S. Peters Road Knoxville, TN 37923

New York, NY 10005 40 Wall Street Seward, Groves, Richard & Wells, Inc.

Sigma Financial Services, Ann Arbor, MI 48103 4261 Park Road Inc

Engelwood, CO 80111 Suite 3000 6535 South Dayton Street Smith Benton & Hughes, Inc.

Engelwood, CO 80111 Suite 110W Strategic Resource Management, 5670 Greenwood Plaza Bivd. Inc.

900 Second Avenue, Suite 500 Minneapolis, MN 55402 Summit Investment Corp.

T.L. Smith Securities 6300 Ridglea Place, Suite 500 Fort Worth, TX 76116

Houston, TX 77063 7660 Woodway, Suite 500 Tejas Securities, Inc.

SECTION AND ADDRESS OF

ò

S.G. Financial 3020 Bridgeway, #252 Sausalito, CA 94965

Denver, CO 80203 Union Bank Building

36 Klein Road Starboard Capital Corp. Fort Worth, TX 76102

20 Broad Street, 7th Floor New York, NY 10005 Strategic Risk Management 둙

111 Pfingsten Road, Suite 111 Deerfield, IL 60015 Sussex Financial Group

4200 S. Hulen, Suite 536 Houston, TX 76109 Texas Securities Santa Barbara, CA 93101 Santa Barbara Securities, Inc. Suite 302 200 East Carrillo Street

Scott (Robert) Securities, 19762 MacArthur Blvd., Suite 200 Irvine, CA 92715 Ę

Irvine, CA 92718 Suite 710 Sentra Securities, Corp. 8001 Irvine Center Drive

Shelter Rock Securities 500 No. Broadway Signal Securities, Inc. 700 Throckmorton Street Jericho, NY 11753

Williamsville, NY 14221

Taggari Company Ltd. (The) 9720 Wilshire Boulevard Beverly Hills, CA 90212 Suite 205

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In re TOWERS FINANCIAL CORPORATION NOTEHOLDERS LITIGATION

Master File No. 93 Civ. 0810 (WK)

MDL No. 994

SOUTHERN DISTRICT OF NEW YORK

This Document Relates To All Cases

NOTICE OF SETTLEMENT CLASS CERTIFICATION AND PROPOSED SETTLEMENT

THIS NOTICE MAY AFFECT YOUR RIGHTS -- PLEASE READ IT CAREFULLY

FEBRUARY 15, 1989 THROUGH FEBRUARY 9, 1993: PROMISSORY NOTES, SOLD TO UNITED STATES RESIDENTS, OR SERIES 1991-A ASSET BACKED AND GUARANTEED BONDS, SOLD TO NON-UNITED STATES RESIDENTS, DURING THE PERIOD FROM ALL PERSONS WITO PURCHASED INITIALLY OR REINVESTED IN TOWERS FINANCIAL CORPORATION

the proposed settlement responsibilities as a Settlement Class Member, and to provide you with an opportunity to comment in support of or in opposition to PLEASE TAKE NOTICE: that a Settlement Class has been certified in this litigation by the United States District Court for the outhern District of New York for purposes of the partial settlement described in this Notice; and that the partial settlement has n reached for the benefit of this Settlement Class between the Settlement Class Representatives and Defendant American Credit poration Noteholders Litigation, the proposed settlement (which is subject to final Court approval), and your rights and multy Company for the aggregate sum of \$1,250,000. The purpose of this Notice is to describe the Towers Financial

Filed 06/23/00

THE LITIGATION

Ciclass; their parents, subsidiaries, units, divisions, affiliates, and present and former directors and officers; the members of their esidents (collectively, "Notes"), at any time during the period from February 15, 1989 through February 9, 1993 and suffered Thamages as a result thereof (the "Plaintiff Class"), against Defendants Professional Business Brokers, Inc.; the Hoffenberg Family —immediate families; and their heirs, successors, and assigns) who purchased or reinvested in Towers Financial Corporation

Promissory Notes, sold to United States residents, or Series 1991-A Asset Backed and Guaranteed Bonds, sold to non-United States 1. In the consolidated lawsuit <u>In re Towers Financial Corporation Noteholders Litigation,</u> MDL No. 994, Master File No. 93 Civ. 0810 (S.D.N.Y.) (the "Class Action"), which is pending in the United States District Court for the Southern District of New York, Plaintiffs have asserted claims, on behalf of themselves and all persons (excluding Defendants and members of the Defendant Company, and Monterey Bay Securities, as representatives of a Defendant class consisting of all broker-dealers who sold Notes. Plaintiffs have asserted claims for violations of the Securities Act of 1933; the Securities Exchange Act of 1934; the Racketeer deBarardinis, East-West Capital Management, Inc., First Affiliated Securities Inc., Halpett & Company Inc., Martin Kaiden Credit Rating Company; and J.B. Bogart & Associates, Consolidated Financial Serv., Inc., Dain Bosworth, Inc., & Flaherty; Bronson & Migliaccio; Squadron, Ellenoff, Plesent & Lehrer; American Credit Indemnity Company; Duff & Phelps B. Eyans, Jr.; Ben Barnes; Marviii E. Basson; H. Bruce Bronson, Jr.; the Law Offices of H. Bruce Bronson, Jr.; Gibney, Anthony Trust; Steven Hoffenberg alkla Barry Colien; Mitchell Brater, Arthur T. Ferro, Charles H. Chugerman; Michael Rosoff; Thomas offuenced and Corrupt Organizations Act; state blue sky laws; and the common law against fraud, negligent misrepresentation, ligence, and breach of fiduciary duty, arising out of the offer and sale of the Notes. Plaintiffs seek, for themselves and the intiff Class, compensatory and punitive damages, including out-of-pocket losses, costs, interest, and attorneys' fees and nitiff Class, compensatory and punitive damages, including out-of-pocket losses, costs, enses. Defendants deny all liability and wrongdoing whatsoever.

Document 350-1

certification of the Plaintiff Class for purposes of the continued prosecution and trial of the Class Action. On February 10, 1995, proposed Plainliff Class against Defendant Arberican Credit Indemnity Company ("ACI"). The following provisions of this Notice however, the Court granted preliminary approval of a proposed settlement by Plaintiffs of all claims asserted on behalf of the New York, New York 10007, during regular business hours which is available for inspection and copying at the Office of the Clerk of the Court. United States Courthouse, 40 Poley Square, summarizing the proposed settlement are qualified in their entirety by reference to the settlement agreement, a complete copy of The Court has not yet ruled, one way or the other, on the merits of any of Plaintiffs' claims or on Plaintiffs' motion for

Case 3:96-cv-01023-L-JES

SETTLEMENT CLASS CERTIFICATION

Batten, Stanley Bruskin, Scott C. Davis, Robert Dinsmore as Trustee of the Dinsmore Architects PPSP, Ronald R. Evey, Martin Gold as Trustee of the Martin Gold, Attorney at Law, P.C. Defined Benefit Pension Plan dated 12-10-87, Jo Frank Goodman, duly appointed as additional of successor representatives of the Plaintiff Class as Settlement Class Representatives for purposes of Siudmak Profit Sharing Plan, and Dona M. Ziegler as Trustee of the Dona M. Ziegler Defined Benefit Plan and any other persons Jerry Gorelick, Ambony Izzo, Jr., Joanne Kirk Trust, John Dannen Kirk Trust, Shawn Robert Kirk Trust, Brnest S.J. Loh, Nita T Loh, Edward W. Murphy, Jr. as Trustee of the Edward W. Murphy, Jr. Trust, Martin Penner, Dr. John J. Siudmak, John J. The Court has certified the Plaintiff Class for settlement purposes only and designated Plaintiffs Bernard Batten, Stephanic

The Court has appointed as Settlement Class Counsel:

60 Sansome Street, Suite 300 San Francisco, CA 94104 Girard & Green

Milberg Weiss Bershad Hynes & Lerach One Pennsylvania Plaza New York, NY 10119

Garwin, Bronzast, Gerstein & Fisher San Francisco, CA 94111-3339 1501 Broadway, Suite 1416

275 Battery Street, 30th Floor

Lieff, Cabraser & Heimann

Embarcadero Center West

New York, NY 10036

555 Madison Avenue, Suite 600 Stamell, Tabacco & Schager New York, NY 10022

appointment of class representatives and class counsel for purposes other than the proposed settlement described herein

The appointments of the Settlement Class Representatives and Settlement Class Counsel are without prejudice to

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Members' claims against ACI, whether asserted or unasserted, known or unknown, will be compromised, released, discharged, and dismissed with prejudice in exchange for ACI's payment to the Settlement Class of \$1,250,000. If the Court grants final approval of the proposed settlement, there will be no trial as to ACI, and the Settlement Class

PROPOSED SETTLEMENT WITH AMERICAN CREDIT INDEMNITY COMPANY

- Members or wrongdoing whatsoever relating to the claims asserted in, or the subject matter of, the Class Action. Notwithstanding such denial, ACI has entered into this proposed settlement to avoid the burden, expense, and uncertainty of continuing litigation. 7. A proposed settlement has been reached with ACI. ACI continues to deny any and all liability to the Settlement Class
- Settlement Class Representatives on behalf of themselves and the Settlement Class (a) ACI has agreed to pay \$1,250,000 (the "Settlement Payment") in settlement of the claims asserted against ACI by the
- Class Counsel (see subparagraph (e) below) and then allocated and distributed among the Settlement Class Members on a pro 1312 basis according to the amounts of the Settlement Class Members' respective Note investments Class Counsel for distribution to the Settlement Class. The Settlement Payment will be reduced by the award of costs to Settlement (b) If the Court grants final approval of the settlement with ACI, ACI will deliver the Settlement Payment to Settlement
- their Note investments or the activities alleged in or which are the subject of the Class Action, which were or, had the existence of Members against ACI relating to Settlement Class Members' Note investments will be permanently enjoined. such claims been known, could have been brought in the Class Action against ACL. All other lawsuits brought by Seitlement Class dismissed with prejudice and released, and Settlement Class Members will be barred from asserting any and all claims, relating to (c) In return for the Settlement Payment, any and all claims the Settlement Class Members have against ACl will be

(d) The Court has not yet ruled, one way or the other, on the metits of the boulement Class Representatives' claims

O have not applied for an award of attorneys' fees from the Settlement Payment at this time. You will be notified of any ap Offor attorneys' fees made by Settlement Class Counsel and will have the opportunity to be heard regarding such application.

RECOMMENDATION OF SETTLEMENT CLASS COUNSEL. have not applied for an award of attorneys' fees from the Settlement Payment at this time. You will be notified of any application pocket costs they have advanced to date in prosecuting the Class Action, in the amount of \$250,000. Settlement Class Counsel (e) Settlement Class Counsel intend to apply for reimbursement from the Settlement Payment of a portion of the out-of

RECOMMENDATION OF SETTLEMENT CLASS COUNSEL

2682 have retained an expert in ACI's line of business to assist them in their analysis of the claims. In addition, Settlement Class Counsel have analyzed the law relating to the claims against ACI. They have conducted extensive arm's-length negotiations with hwarded, if any, is uncertain because, among other things, certain of the claims may be barred by the applicable statutes of receive from the settlement, and (b) the fact that the outcome of litigating the claims against ACI, including the amount of damages ACI's counsel. Settlement Class Counsel have considered such things as: (a) the benefits that the Settlement Class Members will issues relating both to liability and remedy, as well as other uncertainties and risks inherem in protracted litigation, including the ACI in the Class Action. Settlement Class Counsel have examined thousands of pages of documents relating to such claims and thorough investigation and undertaken extensive discovery into the facts and circumstances relating to the claims asserted against limitations, and because ACI's alleged liability depends on the resolution of many sharply disputed issues of fact and other difficult ikeiihood thal even if a judgment were rendered in favor of the Settlement Class, appeals will follow, and it is likely, therefore, t several years could elapse before Settlement Class Menibers receive any benefit. In light of the above, Settlement Class Assel bave recommended to this Court, and now reconumend to the Settlement Class Menibers, the proposed settlement with Settlement Class Counsel, who have extensive experience in class actions and securities litigation, have conducted a

FINAL SETTLEMENT APPROVAL HEARING

Filed 06/23/00 and adequate. Although you may attend this hearing, you are not required to do so. Andrew J. Peck, United States Magistrate Judge for the Southern District of New York, located at the United States Courdhouse, 40 Center Street, Room 519, New York, New York 10007, to determine whether the proposed settlement with ACI is fair, reasonable, The Court will hold a hearing commencing on November 16, 1993 at 10:00 a.m. in the courtroom of the Honorable

O year wish to submit written comments on the proposed settlement. You have the right to appear in the Class Action through your own attorney. If O year wish to submit written comments on the proposed settlement and/or Settlement Class Counsel's application for costs, you may 10 de'so provided that your letter, including any materials which you wish the Court to consider, is postmarked no later than October Court with the Court to the Clerk of the Court, United States Courthouse, 40 Foley Square, New York, New York 10007; and copies armust be sent simultaneously to the attorneys listed below:

O GRARD & GREEN

160 Sansome Street, Suite 300

San Francisco, CA 94104

Settlement Class Counsel SETTLEMENT OR SETTLEMENT CLASS CERTIFICATION. As a Settlement Class Member, you have the right to state your $oldsymbol{4}$ 10. YOU DO NOT NEED TO APPEAR AT THE HEARING OR TAKE ANY OTHER ACTION IN SUPPORT OF THE

David H. Marion, Esq. MONTGOMERY McCRACKEN WALKER & RHOADS

Three Parkway, 20th Figor Philadelphia, PA 19102

Counsel for American Credit Indemnity Company

You may be heard orally in support of or in opposition to the proposed settlement, provided that you mail a letter, postmarked Ono later than October 6, 1993, stating your intention to appear before the Court personally and indicating briefly the nature of the Oargument to be presented. Copies of such letter must be sent to the Clerk of the Court and the attorneys designated above.

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the settlement and to have waived all objections and shall forever be foreclosed from making any such objections 11. If you do not object to the proposed settlement in the manner described above, you shall be decined to have consented to

PROPOSED SETTLEMENT WITH AMERICAN CREDIT INDEMNITY COMPANY

- which you should understand before making your decision. Member, you have a choice as to whether or not to remain a Settlement Class Member. Either choice will have its consequences 12. With regard to the proposed settlement with ACI, if you are included in the above definition of a Settlement Class
- Settlement Class Counsel in writing by unail postmarked no later than October 6, 1995 at the address listed in paragraph 10 above. 13. If you want to be excluded from the Settlement Class will regard to the proposed settlement with ACI, you must notify
- the money that will be paid to the Settlement Class as a result of the settlement with ACI; (2) you will not be bound by any decision in the Class Action regarding the claims against ACI, whether favorable or not; and (3) you may present any claims you may have against ACI by filing your own lawsuit, or you may seek to intervene in the Class Action 14. If you elect to exclude yourself from the Settlement Class with regard to the settlement with ACI, (1) you will not share in
- 15. If you want to remain a Settlement Class Member for purposes of the settlement with ACL you are not required to do anything at this time. By remaining a Settlement Class Member, any claims against ACI for damages arising out of ACI's conduct as alleged in the Class Action will be determined in the Class Action and released by the proposed settlement and cannot be presented by you in any other lawsuit. As a Settlement Class Member, you have the right to share in the money that will be paid to the Settlement Class as a result of the settlement with ACI

RIGHTS AND OBLIGATIONS OF CLASS MEMBERS

- damages against ACI as alleged in the Class Action will be determined in the Class Action. You will be entitled to notice of any further ruling affecting the Settlement Class. For this reason, as well as to facilitate your sharing in ACI's Settlement Payment, you are requested to notify the Settlement Class Counsel at the address listed in paragraph 18 below, of any corrections or changes to your name or address. settlement, you will be bound by all further orders and judgments of the Court affecting the Settlement Class, and your claims for As a member of the Seulement Class as to the proposed seulement with ACI, if you do not exclude yourself from
- 17. You need not hire or pay an attorney. Settlement Class Members will be represented by Settlement Class Counsel, who are proponents of the settlement. If you wish, however, you may retain and appear through your own attorney, at your expense. You may also seek to intervene individually in the Class Action, and you may advise the Court if at any time you think you are not being fairly and adequately represented by the Settlement Class Representatives or Settlement Class Counsel.

ADDITIONAL INFORMATION

18. Any questions you have concerning the matters contained in this Notice (and any corrections or changes to your name or address) should not be directed to the Court, but should be addressed in writing to the following Settlement Class Courtsel:

160 Sansome Street, Suite 300 San Francisco, CA 94104 Daniel C. Girard, Esq. GIRARD & GREEN

- 19. Complete copies of all pleadings and papers filed in the Class Action, including the complete text of the proposed settlement agreement with ACI, are available for inspection and copying at the Office of the Clerk of the Court, United States Courthouse, 40 Foley Square, New York, New York 10007, during regular business hours.
- continue against all other Defendants who are not parties to this settlement. The Court has not yet set a trial date, as discovery and restored to their respective positions as they existed immediately prior to the settlement agreement. In any event, the case will other pretrial proceedings remain to be conducted 20. If the settlement with ACI is not approved by the Court, the settlement will be null and void, and the parties will be

CLERK, UNITED STATES DISTRICT COURT

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION.

Page In re TOWERS FINANCIAL CORPORATION

PageID.2684

X MDL No. 994

93 Civ. 0810 (WK)

SOUTHERN DISTRICT OF NEW YORK UNITED STATES DISTRICT COURT

'n,

This Document Relates To: NOTEHOLDERS LITIGATION

PROPOSED SETTLEMENTS; AND VOLUNTARY DISMISSAL OF CLAIMS NOTICE OF SETTLEMENT CLASS CERTIFICATION

THIS NOTICE MAY AFFECT YOUR RIGHTS -- PLEASE READ IT CAREFULLY

associated recoveries; and (2) application has been made for leave to dismiss, without prejudice, claims asserted on behalf of Administrative Trustee for the Towers Financial Corporation Administrative Trust for the allocation of disputed claims and law firm of Bronson & Migliaccio; and (c) among the Class Representatives, certain other litigants referred to Representatives, the Bank of Cape Verde, and Defendants H. Bruce Bronson, It., the Law Offices of H. Bruce Bronson, It. and the Class Representatives, the Bank of Cape Verde, and Defendant Gibney, Anthony & Flaherty; and (b) among the Bondholders," and Defendant Richard A. Eisner & Company LLP, and (d) between the Class Representatives and that the partial settlements have been reached for the benefit of this Settlement Class on terms described herein (a) among the ASE TAKE NOTICE: that (1) the Settlement Class, as further defined herein, has been certified in this hitigation by the ed States District Court for the Southern District of New York for purposes of the partial settlements described in this Notice, FEBRUARY 15, 1989 THROUGH FEBRUARY 9, 1993 ("SETTLEMENT CLASS"): PROMISSORY NOTES, SOLD TO UNITED STATES RESIDENTS, OR SERIES 1991-A ASSET BACKED AND GUARANTEED BONDS, SOLD TO NON-UNITED STATES RESIDENTS, DURING THE PERIOD FROM ALL PERSONS WHO PURCHASED INITIALLY OR REINVESTED IN TOWERS FINANCIAL CORPORATION Class 중 중

Filed 06/23/00

SUMMARY

(Settlements and the plan of allocation with the Administrative Trustee (which are subject to final Court approval); the voluntary

In Igation. The purpose of this Notice is to describe the Towers Financial Corporation Noteholders Litteation; the proposed partial desthement Class members against broker-dealers who sold the Towers Financial Corporation Promissory Notes at issue in this

dismissal of claims, and your rights and responsibilities as a Settlement Class Member, and to provide you with an opportunity to comment on the voluntary dismissal of claims, and in support of or in opposition to the proposed settlements or exclude yourself

Document 350-1

connection therewith appears at paragraph 42 of this Notice. This summary is qualified in its entirety by reference to this Notice claims of the class representatives against the broker-dealers, the implications for you of such dismissal and your rights in and an award of attorneys' fees of approximately \$1,550,000 in connection with the proposed settlements described in this Notice in the class action have advised the Court that they intend to apply for reimbursement of costs in an amount not to exceed \$250,000 not recovery assuming an award of attorneys' fees and reimbursement of costs as requested by the attorneys for the class representatives in the class action of approximately \$2,345,000. In addition, Noteholders may recover additional amounts under the the Towers Financial Corporation Notes at issue in this litigation. Important additional information about the dismissal of the prejudice the claims asserted by the class representatives on behalf of Settlement Class Members against the broker-dealers who sold the Notice. and in connection with an earlier settlement with American Credit Indentity Company approved by this Court on December 18, terms of a sharing agreement with the Administrative Trustee of the Towers Financial Corporation Administrative Trust. You have Towers Noteholders. If approved, the settlements will result in a gross recovery to Noteholders of approximately \$3,300,000 and a Iliates will be dismissed. You are not required to exclude yourself from the settlements to preserve your right to proceed with Individual claim against a seller of Towers Financial Corporation Promissory Notes. The attorneys for the class representatives 1. Proposed settlements have been reached with certain defendants in the consolidated class action brought ight to exclude yourself from the settlements. If you do not exclude yourself from the settlements, you will share in the inent proceeds and your claims against certain professionals (accountants and attorneys) who provided services to Towers or Additional information on the application for reimbursement of costs and award of attorneys' fees appears at paragraph 30 of The Court has also been advised by the attorneys for the class representatives that they propose to dismiss without

Case 3:96-cv-01023-L-JFS

the Settlement Agreements described be...n, and all pleadings and papers filed in the class action and related proceedings, which may be inspected as provided at paragraph 30 of the Notice.

THE LITICATION

expenses. Defendants deny all liability and wrongdoing whatsoever. Defendants H. Bruce Bronson, Jr., the Law Offices of H. Influenced and Corrupt Organizations Act; state blue sky laws; and common law claims of fraud, negligent misrepresentation, negligence, and breach of fiduciary duty, arising out of the offer and sale of the Notes. Plaintiffs seek, for themselves and the Ellenoff, Piesent & Lehrer is referred to as "Squadron Ellenoff." Defendants. Defendant Richard A. Eisner & Company LLP is referred to as 'Eisner." Bruce Bronson, Jr., Gibney, Anthony & Flaherly, and Bronson & Migliaccio are referred to collectively as the "Settling Attorney Plaintiff Class, compensatory and punitive damages, including out-of-pocket losses, costs, interest, and attorneys' fees Plaintiffs have asserted claims for violations of the Securities Act of 1933; the Securities Exchange Act of 1934; the Racketeer Company, and Monterey Bay Securities, as representatives of a defendant class consisting of all broker-dealers who sold Notes. Richard A. Eisner & Company; and J.B. Bogart & Associates, Consolidated Financial Serv., Inc., Dain Bosworth, Inc., Migliaccio; Squadron, Ellenoff, Plesent & Lehrer; American Credit Indennity Company; Duff & Phelps Credit Rating Company; Professional Business Brokers, Inc.; the Hottenberg rathing training traini Guaranteed Bonds, sold to non-United States residents (collectively, "Notes"), at any time during the period from February 15, New York, Franklis have asserve vients, or such persons' immediate families and their heirs, successors, and assigns) who purchased or constructed in Transcript Comparation Promissory Notes, sold to United States residents, or Series 1991-A Asset Backed and Civ. 0810 (WK) (S.D.N.Y.) (the "Class Action"), which is pending in the United States District Court for the Southern District of New York, Plaintiffs have asserted claims, on behalf of themselves and all persons (excluding Defendants and members of the 1989 through February 9, 1993 and who suffered damages as a result thereof (the "Plaintiff Class"), against Defendants In the consolidated havauit <u>In re Towers Financial Comoration Noteholders Llugation,</u> MDL No. 994, Master File No. 93 East-West Capital Management, Inc., First Affiliated Securities Inc., Halpert & Company Inc., Martin Kaiden Non-settling defendant Squadron,

- the Healthcare Subsidiaries, issued materially misteading opinions regarding the financial results of the Healthcare Subsidiaries on which the Bondholders relied in deciding to purchase the Bonds. Eisner has denied all liability in the Bondholder Action as well. The sculement with Eisner described herein will also scule the Bondholder Action. Subsidiaries"). The Bondholders allege, among other things, that Eisner, as the certified public accountant and outside auditor of Receivables Funding Corporation IV, and Towers Healthcare Receivables Funding Corporation V (collectively, the 'Healthcare Healthcare Receivables Funding Corporation II, Towers Healthcare Receivables Funding Corporation III, Towers Healthcare Bonds issued by the Towers Financial Corporation subsidiaries Towers Healthcare Receivables Funding Corporation, District of New York. The Bondholders assert claims against Eisner and others arising out of the Bondholders' purchase of certain Eisner & Company, No. 93 Civ. 6514 (WK) (the "Bondholder Action"), in the United States District Court for the Southern Twenty-six purchasers of Towers bonds (the "Bondholders") have filed the lawsuit LaSalle National Bank v. Richard A.
- to Towers Financial Corporation, its affiliates, and/or subsidiaries. The Settling Attorney Defendants deny wrongdoing whatsoever. The sculements with the Sculing Attorney Defendants described herein will also scule the Bank Action. Cape Verde between 1989 and 1992, regarding the Bank of Cape Verde's extension of certain loans, and a rollover of those loans, and fraud against the Settling Attorney Defendants arising out of their issuance of five legal opinion letters addressed to the Bank of et nl., No. 94 Civ. 8299 (WK) (the "Bank Action"), in the United States District Court for the Southern District of New York. The Bank of Cape Verde asserts claims for breach of contract, breach of implied contract, breach of fiductary duty, majoractice, On November 15, 1994, the Bank of Cape Verde (the "Bank") filed the lawsuit Bank of Cape Yerde v. H. Bruce Bronson.
- Defendants deny that any such claims exist on the part of the Administrative Trustee and furthermore deny Settling Attorney Defendants, although the Administrative Trustee has not yet asserted such claims. The Settling Trustee on behalf of the Debors' estates. The Administrative Trustee contends that the Administrative Trust has claims against the behalf of the Administrative Trust, including any claims previously brought or which could have been brought by the Chapter 11 the Plan, the Administrative Trustee was authorized and empowered to prosecute any fitigation and resolve all disputed claims on the related Administrative Trust Agreement. Pursuant to Article IV of the Administrative Trust Agreement and section 5.3(B) of 5. In connection with the In 16 Towers Financial Corporation, et al., Case No. 93-B-41558 (PBA) bankruptey proceedings, by an order, dated December 8, 1994 (the "Confirmation Order"), the Bankruptey Court: (a) confirmed a joint plan of reorganization for the Towers Debtors (the "Plan"); and (b) approved the appointment of the Administrative Trustee, effective December 21, 1994, to administer the Towers Financial Corporation Administrative Trust created in connection with the Plan and

claims and to share recoveries was endorsed, subject to the District Court's approval. The Trustee Settlement provides for cooperation between the Administrative Trustee and the Class. agreement between the Class Representatives and the Chapter 11 Trustee (the 'Trustee Settlement') to cooperate in the assection of Defendants, Eisner and Squadron Ellenoff for damages and keep any resulting recoveries. Previously, under the Plan, Squadron Ellenoff. The Administrative Trustee and Plaintiffs have a dispute over who is entitled to pursue the Settling Attorney sucongeoing in connection with those unasserted claims. The Administrative Trustee has also asserted claims against Eisner and

- Defendants or Eisner, including motions to dismiss, or on Plaintiffs' motion for certification of the Plaintiff Class for purposes of the continued prosecution and trial of the Class Action. As of August 2, 1996, however, the Court granted preliminary approval The Court has not yet roled, one way or the other, on the merits of any of Plaintiffs' claims against the Settling Attorney
- PageID.2685 against the Settling Attorney Defendants; and proposed seulements by Plaintiffs of all claims asserted on behalf of the proposed Plaintiff Class in the Class Action
 - against Eisner; and (b) a proposed settlement by Plaintiffs on all claims asserted on behalf of the proposed Plaintiff Class in the Class Action
- (c) the Trustee Settlement

The following provisions of this Notice summarizing the proposed settlements are qualified in their entirety by reference to the 'lement Agreements, complete copies of which are available for inspection and copying at the Office of the Cterk of the Count, and States Courthouse, 500 Pearl Street, Room 120, New York, New York 10007, during regular business hours.

SETTLEMENT CLASS CERTIFICATION

Dignined Benetil Pension Plan dated 12-10-87, Joanne Kirk Trust, John Dannen Kirk Trust, Shawn Robert Kirk Trust, Edward W.

Morphy, Jr. as Trustee of the Edward W. Murphy, Jl. Trust, Martin Penner, Dr. John J. Siudnak, John J. Siudnak Profit Sharing

Defined Benefit Plan, and any other persons duly appointed as

Stop

18. For purposes of the settlements only, the Court has appointed as Settlement Class Counsel:

Daniel C. Girard

GIRARD & GREEN, P.C.

160 Sansome Street, Suite 200

San Francisco, CA 94104 Filed 06/23/00 Defined Benefit Pension Plan dated 12-10-87, Joanne Kirk Trust, John Damen Kirk Trust, Shawn Robert Kirk Trust, Edward W. Murphy, Jr. Trust, Martin Penner, Dr. John J. Siudmak, John J. Siudmak Profit Sharing Action. The Court has designated Plaintiffs Bernard Batten, Stephanic Batten, Stanley Bruskin, Scott C. Davis, Robert Dinsnore and Trustee of the Dinsnore Architects PPSP, Ronald R. Evey, Martin Gold as Trustee of the Martin Gold, Attorney at Law, P.C. offerings and offering memoranda referred to in the Second Amended and Consolidated Class Action Complaint filed in this Class Notes at any time during the period from February 15, 1989 through February 9, 1993, or at any time thereafter pursuant to certain only: all persons (other than defendants and members of the defendant class in the Class Action, the members of their immediate families, their present or former officers and directors, and their heirs, successors and assigns) who purchased or reinvested in The Court has ceriffed the following Settlement Class (the 'Settlement Class'), for purposes of the proposed settlements

MILBERG WEISS BERSHAD HYNES & LERACH LLP

275 Ballery Street, 30th Floor LIEFF, CABRASER, HEIMANN & BERNSTEIN

San Francisco, CA 94111-3339

One Pennsylvania Plaza
Rew York, NY 10119

CARWIN, BRONZAFT, GERSTEIN
A FISHER
CO
New York, NY 10036

One Liberty Plaza,
STAMELL & SCHAGER
One Liberty Plaza,
Stoll Broadway, Suite 1416
New York, NY 10036

One Liberty Plaza,
Stoll Broadway, Suite 1416
New York, NY 10036

One Liberty Plaza,
Stoll Broadway, Suite 1416
New York, NY 10022

One Sppointments of the Class Representatives and Settlement Class Counsel are without prejudice to Colass representatives and class counsel for purposes other than the proposed settlements described herein

CC class representatives and class counsel for purposes other than the proposed settlements described herein

CC class representatives and class counsel for purposes other than the proposed settlements described herein The appointments of the Class Representatives and Settlement Class Counsel are without prejudice to the appointment of

> Gibney, Anthony & Flaherty ("Gibney Defendants"), (2) a total of \$500,000 by H. Bruce Bronson, Jr., the Law Offices of H. distribution to the creditors of Towers as provided in the Plan, including Scillement Class members: (1) a total of \$3,600,000 by Bruce Bronson, and Bronson & Migliaccio (the "Bronson Defendants"), and (3) a total of \$1,005,000 by Eisrier. unasserted, known or unknown, will be compromised, released, discharged, and dismissed with prejudice in exchange for or Eisner, and the Settlement Class members' claims against the Settling Attorney Defendants and Eisner, whether asserted following payments to be allocated among the Settlement Class, the Bank of Cape Verde, and the Administrative Trustee 10. If the Court grants final approval of the proposed settlements, there will be no trial as to the Settling Attorney Defendants

on behalf of the Settlement Class, and the Administrative Trustee, on behalf of the Towers bankruptcy estates, in accordance with proceeds of settlements with the Settling Attorney Defendants and Eisner) will be apportioned between the Class Representatives, over who is entitled to assert claims against and obtain recoveries from which Defendants, the Administrative Trustee and the Class the terms of the Trustee Settlement Representatives will coordinate the prosecution of damage claims against Defendants, and any associated recoveries (including the 11. If the Court grants final approval of the Trustee Settlement, resolving Plainliffs' dispute with the Administrative Trustee

PROPOSED SETTLEMENTS WITH (1) GIBNEY, ANTHONY & FLAHERTY AND (2) H. BRUCE BRONSON, JR., THE LAW OFFICES OF H. BRUCE BRONSON, AND THE LAW FIRM OF BRONSON & MIGLIACCIO

proposed settlements to avoid the burden, expense, and uncertainty of continuing litigation to deny any and all liability to the Settlement Class members or wrongdoing whatsoever relating to the claims asserted in, or the subject, matter of, the Class Action. Notwithstanding such denial, the Settling Attorney Defendants have entered into these 12. Proposed settlements have been reached with the Settling Attorney Defendants. The Settling Attorney Defendants continue

Insurance carriers: It has been agreed that the following amounts will be paid on behalf of the Settling Attorney Defendants by their respective

- (a) Gibney has agreed to pay a total of \$3,600,000 ("Gibney Settlement Fund") and the Bronson Defendants have agreed to pay a total of \$500,000 ("Bronson Settlement Fund") (collectively, the "Gross Attorney Settlement Fund") in settlement of (1) the claims asserted by the Class Representatives on behalf of themselves and the Settlement Class; (2) the claims asserted by the Bank of Cape Verde; and (3) the potential claims of the Administrative Trustee.
- Settlement. See "Recommendation of Counsel" "Bank Allocation Agreement". costs, and expenses to Settlement Class Counsel and other counsel for Plaintiffs and then distributed in accordance with the Trustee agreement between the Class Representatives and the Bank (the "Bank Allocation Agreement") and any award of attorneys' fees (b) The Gross Attorney Settlement Fund will be reduced by an allocation of \$410,000 to the Bank pursuant to an
- relating to the Settlement Class members' Note investments will be permanently enjoined. Settling Attorney Defendants. All other lawsuits brought by Settlement Class members against the Settling Attorney Defendants from asserting any and all claims, relating to their Note investments or the activities alleged in or which are the subject of the Class Settling Attorney Defendants will be dismissed with prejudice and released, and Settlement Class members will be forever barred Action, which were or, had the existence of such claims been known, could have been brought in the Class (c) In return for the Gross Attorney Settlement Fund, any and all claims the Settlement Class members have against the Action
- Selling Allorney Defendants. (d) The Court has not yet ruled, one way or the other, on the merits of the Class Representatives." claims against

PROPOSED SETTLEMENT WITH RICHARD A. EISNER & COMPANY

- such denial. Eisner has entered into this proposed settlement to avoid the burden, expense, and inconvenience of continuing inembers or wrongdoing whatsoever relating to the claims asserted in, or the subject matter of, the Class Action. Notwithstanding 13. A proposed settlement has been reached with Eismer. Eismer continues to deny any and all liability to the Settlement Class
- Bondholder Action, of which amount \$1,005,000, or 16.75 percent (the "Gross Eisner Settlement Fund"), will be allocated to settle (1) the claims asserted by the Class Representatives on behalf of themselves and the Settlement Class; and (2) the claims of the Eisner has agreed to pay a total of \$6,000,000 in settlement of the claims asserted by the Bondholders in 5

Administrative Trustec

- **Page** Award Class Counsel and other counsel for Plaintiffs (see "Application of Settlement Class Counsel for Reimbursement of Expenses and of Attorneys' Fees' below) and then distributed in accordance with the Trustee Settlement. The Gross Eisner Seitlement Fund will be reduced by any award of atformers' fees, costs, and expenses to Settlement
- PageID.2686 will be dismissed with prejudice and released, and Settlement Class members will be barred from asserting any and all claims, relating to their Note investments or the activities alleged in or which are the subject of the Class Action, which were or, had the existence of such claims been known, could have been brought in the Class Action against Eisner. All other lawsuits brought by Septement Class members against Eisner relating to the Settlement Class members' Note investments will be permanently enjoined In return for the Gross Eisner Settlement Fund, any and all claims the Settlement Class members have against Eisner
 - 3 The Court has not yet ruled, one way or the other, on the merits of the Class Representatives' claims against Eisner

<u>PROPOSED SETTLEMENT WITH THE ADMINISTRATIVE TRUSTEE</u>

- proposed settlement has also been reached with the Administrative Trustee of the Towers Financial Corporation
- to assert claims against and obtain recoveries from which Defendants. To avoid lengthy and expensive litigation of this dispute, the Eigner and Squadron Ellenoff. A dispute existed between the Class Representatives and the Chapter 11 Trustee over who is entitled and certain Class Representatives aministrative Trustee has asserted similar and/or competing damages clains against some of the same Defendants, including isidiaries or affiliaies (collectively, "Towers"). In the Bankrupley Courl, the Chapter 11 Trustee, on behalf of the Towers upicy estates, and the Administrative Trustee have filed Adversary Proceedings No. 94-8055A and 96-8314A and others in 3 States Bankruptcy Court for the Southern District of New York (the "Trustee Actions"). In the Trustee Actions, the tion with the proceedings styled In re Towers Financial Corporation, et al., Case No. 93-B-41558 (PBA), pending in the accountants, attorneys, and other representatives and service providers of Towers Financial In the Class Action, the Class Representatives have asserted damages claims against the principals, officers, directors and the Chapter 11 Trustee reached a proposed settlement of these issues, which is set out in the Trustee Corporation and

Filed 06/23/00

- (b) As more fully set forth in the Trustee Settlement, a copy of which has been filed with the Court, the proposed agulement allocates responsibility between the Administrative Trustee and the Class Representatives for prosecuting claims against 100 fendants and provides that any recoveries, after payment of any court-approved attorneys' fees and costs, and other expenses, will be shared, divided, allocated, and distributed, as follows:
- Representatives, the Administrative Trustee shall be primarily responsible for prosecution of all claims which have been asserted or Brater, Arthur Ferro, Charles H. Chugerman, Michael Rosoff, Thomas B. Evans, Jr., Ben Barnes, or Marvin Basson (the "Towers could be asserted in the Class Action or the Trustee Actions against any director, officer, or employee of Towers or any entity all Towers creditors, including Settlement Class members, pro rata in accordance with Towers' Plan Defendant Group"). Any recovery on any claim assected against a member of the Towers Defendant Group shaft be distributed to formed by Towers or against Steven Hoffenberg, the Hoffenberg Family Trust, Professional Business Brokers, Inc., Prosecution of Towers Defendant Group Claims. As between the Administrative Trustee and the Class Mileter

Document 350-1

- both, may prosecute claims which have been asserted or may be asserted in the Class Action or the Trustee Actions against any and such recovery shall be distributed to all Towers creditors, including Settlement Class members, pro rata pursuant to the Plan countants, accounting firms, altorneys, law firms, and other agents of Towers which rendered services to Towers (the John be distributed to a class of creditors consisting exclusively of members of the Settlement Class; and fifty percent (50%) of than Group"). Fifty percent (50%) of any recovery on any claim asserted against a member of the Joint Defendant Group (2) Prosecution of Joint Defendant Group Claims. Either the Administrative Trustee or the Class Representatives, or
- asserted against a member of the broker-dealers in connection with the offer and sale of the Notes (the "Seller Defendant Group"). Any recovery on any claims the Selitement Class entered into a settlement which was approved December 8, 1994) and all persons and entities who acted as could be asserted in the Class Action of the Trustee Actions against Defendant American Credit Indemnity Company (with whom Representatives, the Class Representatives shall be primarily responsible for prosecution of all claims which have been asserted or Settlement Class members Prosecution of Seller Defendant Group Claims. Seller Defendant Group shall be distributed to a class of creditors consisting exclusively of As between the Administrative Trustee and the Class

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- the prosecution of the claims, subject to this Court's approval as to the reasonableness of such costs. In addition, Plaintiffs entitled to apply to this Court for reimbursement, from the aggregate recoveries on the above claims, of costs incurred by them in Counsel shall, subject to this Court's approval, be entitled to apply to the Court for reasonable compensation from the aggregate recoveries on the above claims as follows: (c) The proposed settlement also provides that the Class Representatives' counsel ("Plaintiffs' Counsel") shall each be
- (1) With respect to the prosecution of claims against members of the Towers Defendant Group, Plaintiffs' Counsel shall be entitled to request an award of attorneys' fees based on the value, if any, that they contributed in achieving recoveries on claims against the Towers Defendant Group.
- 5 Joint Defendant Group claim, less any amount of fees awarded to the Administrative Trustee's counsel, such that the total fees paid be entitled to request an award of attorneys' fees not in excess of twenty-five percent (25%) of the gross amount recovered on recovered on such claims. the Administrative Trustee's counsel and Plaintiffs' Counsel do not exceed twenty-five percent (25%) of the With respect to the prosecution of claims against members of the Joint Defendant Group, Plaintiffs' Counsel shall gily Vine
- (3) With respect to the prosecution of claims against members of the Seller Defendant Group, Plaintitis' Cou shall be entitled to request an award of attorneys' fees not in excess of thirty percent (30%) of the gross amount recovered on Seller Defendant Group claim. With respect to the prosecution of claims against members of the Seller Defendant Group, Plaintiffs' Counsel
- (d) The settlement further provides that the Administrative Trustee and his counsel and the Class Representatives and their counsel will actively cooperate and assist each other in the coordinated assertion of the claims of the Towers Noteholders and the Towers estates in order to maximize the shared recoveries.
- (e) The proposed seutement agreement, if granted final approval, will finally resolve and compromise the dispute between the Class and the Administrative Trustee over who is entitled to pursue and benefit from damages claims arising from the offer and those claims; the validity of the claims and the amounts of any recoveries will be determined by the court before which these claims conduct of Towers' business and to the division of any recoveries on those claims. The settlement does not affect the merits of The proposed settlement relates only to the rights of the parties to pursue claims arising from the offer and sale of the Notes and the sale of the Notes and the conduct of Towers' business. The Court has not yet ruled, one way or the other, on these disputed issues.
- is approved, recoveries obtained in connection with the prosecution of pending claims against professionals (including the Settling of Reorganization, submission by the Plaintiffs of the Trustee Settlement to this Court for approval was deferred 15. On June 27, 1994, the Towers Bankrupicy Court approved the above Trustee Settlement. Partly as a result of developments in the Towers Chapter 11 cases, including the appointment of the Administrative Trustee in connection with the Plan Administrative Trustee and the Class Representatives have considered the current status of proceedings in the Class Action and the Attorney Defendants and Eisner) will be shared in accordance with its terms. -Towers Chapter 11 cases and determined to submit the Trustee Settlement for Court approval at this time. If the Trustee Settlement
- 16. Accordingly, after deduction of any attorneys' fees, costs, and expenses awarded by the Court, fifty percent (50%) of the balance of the Gross Attorney Settlement Fund and the Gross Eisner Settlement Fund will be allocated to the Administrative Trustee for distribution among all Towers creditors, including the auditor class comprised of Noteholders. The other fifty percent (50%) of the balance of the Gross Attorney Settlement Fund and the Gross Eisner Settlement Fund will be allocated to a class of the Bank Atlocation Agreement. See Recommendation of Settlement Class Counsel *Bank Allocation Agreement* Towers creditors consisting solely of Settlement Class members, except that the Gross Attorney Settlement Fund

RECOMMENDATION OF SETTLEMENT CLASS COUNSEL

approval of the proposed seutements with the Settling Attorney Defendants, the proposed settlement with Eisner, the Trustee Settlement, and the Bank Allocation Agreement. The bases for Settlement Class Counsel's recommendation are set forth below. Settlement Class Counsel have recommended to this Court, and now recommend to the Settlement Class members,

Recent Adverse Court Decisions

the professionals, including the 18. Recent court decisions have adversely affected the ability of Settlement Class members to prevail upon their claims against Sculing Attorney Defendants and Eisner, who provided legal or accounting services to Towers

Necommending dismissal of the claims asserted against Squadron Ellenoff and Duff & Phelps are a factor to consider in assessing the desirability of the settlements with the Settling Attorney Defendants and Eisner and the Trustee Settlement. D. Noieholders have asserted against Squadron Eltenoff and Duff & Phelps Credit Rating Company be dismissed with prejudice OAHOIREY Defendants and Eisner have moved to dismiss the claims against them in the Class Action: i.e., the Settling Attorney

OPerendants and Eisner have asked the Court to throw out the case against them. Magistrate Andrew J. Peck, to whom the Class Action has been assigned by District Judge Whitman Knapp for pretrial purposes, has recommended to Judge Knapp that the claims meritorious, Settlement Class Counsel also believe that decisions such as Central Bank and Magistrate Peck's decisions While Scittement Class Counsel continue to believe that Plaintiffs' claims against the Settling Attorney Defendants and Eisner are commonly brought against professionals who rendered services to a securities issuer accused of securities fraud. The Settling Section 10(b) of the Securities Exchange Act of 1934 and Securities and Exchange Commission Rule 10b-5, which was a claim Interstate Bank, 511 U.S. 164, 114 S. Ct. 1439 (1994), that there is no private right of action for aiding and abetting violations of Financial Corporation or its affiliates. For example, in 1994, the United States Supreme Court ruled in Central Bank v. First

The Proposed Settlements with the Settling Attorney Defendants

19. Settlement Class Counsel, who have extensive experience in class actions and securities litigation, have conducted a Control investigation and undertaken extensive discovery into the facts and circumstances relating to the claims asserted against Cothe Settling Attorney Defendants in the Class Action. Settlement Class Counsel have examined thousands of pages of documents Chai several years could clapse before Settlement Class members receive any benefit. Carelating to such claims. In addition, Sculement Class Counsel have analyzed the law relating to the claims against the Settling Southernent Class Counsel have considered such things as: (a) the benefits that the Settlement Class members will receive from the Attorney Defendants. They have conducted extensive aim's-length negotiations with the Settling Attorney Defendants' counsel ikelihood that even if a judgment were rendered in favor of the Settement Class, appeals will follow, and it is likely, therefore, ment; and (b) the fact that the outcome of litigating the claims against the Settling Attorney Defendants, including the amount nages awarded, if any, is uncertain because, among other things, certain of the claims may be barred by the applicable statutes ations, and because the Settling Attorney Defendants' alleged liability depends on the resolution of many sharply disputed relating both to liability and remedy, as well as other uncertainties and risks inherent in protracted litigation, including the

(1) 100,000, including both defense and indentuity obligations. As a result of the combined defense and indemnity limits, the 20. Settlement Class Counsel have also considered the fact that Gibney and its insurer, the Home Insurance Company, have disputed and continue to dispute the extent and nature of insurance coverage which could be applicable to the claims of the Listensent Class, the Bank of Cape Verde, and the potential claims of the Administrative Trustee, and that the insurer has issued a counsel for the Settlement Class, the Bank and the Administrative Trustee that the policy of professional liability insurance which - Action or any potential Trustee Action. To the extent that insurance is available, the Home Insurance Company has advised anyount which may be available for payment of indemnity has been and continues to be reduced by the costs incurred in defending o assurance coverage they believe is available for purposes of resolution of the claims asserted in the Class Action, the Bank reservation of rights concerning the extent and nature of available insurance. Gibney has made no representation as to the amount n® be available for resolution of claims asserted in the Class Action, the Bank Action, and related litigation has limits of

The Class Action and the Bank Action, such that significantly less than \$5,000,000 is potentially available for resolution of the Clasms in these actions.

2.1. With regard to the proposed settlement with the Bronson Defendants, Settlement Class Counsel note that the settlement Chayment, \$500,000, is equal to the limits of the policy of insurance available for resolution of the claims in the Class Action and Che Bank Action.

The Bank Allocation Agreement

exhaust the insurance coverage which forms the basis for the proposed seulements. In addition, in the opinion of Seulement Classes not subject to certain defenses available to the Settling Attorney Defendants in the Class Action. Counsel, the Bank Action, which involves the delivery of written legal opinions to the Bank by the Settling Attorney Defendants, is Class Action, the Bank could obtain a judgment against one more of the Settling Attorney Defendants which potentially could Attorney Defendants. If the Bank Action against the Settling Attorney Defendants were to proceed to trial independently of the , the Bank has alleged that in purchasing unsecured promissory notes, it relied on opinion letters signed by the Settling The Bank of Cape Verde (the "Bank") purchased \$20 million in unsecured promissory notes from Towers. In the Bank

Specifive counsel, entered into an agreement which provides for the division of recoveries obtained in connection with the Chrosecution of the claims against the Settling Attorney Defendants. Under the terms of the agreement, the Bank is entitled to an 3000 of the claims against the Settling Attorney Defendants. Under the terms of the agreement, the Bank is entitled to an 3000 of the agreement of the Bank is entitled to an 3000 of the agreement of the agreement of the agreement of the agreement of the Bank is entitled to an 3000 of the agreement of the agreement of the agreement of the Bank is entitled to an 3000 of the Ban -01 23. To maximize the potential recoveries and limit the risks of lifigation, the Bank and the Class Representatives, through their

> consisting solely of Noteholders. As the Gross Attorney Settlement Fund totals \$4,100,000, and under the Trustee Settlement, fifty allocation equal to twenty percent of that portion of the Gross Attorney Scillement Fund allocated to a class of Towers creditors Bronson sellement agreements, which have been filed with the Court. Noteholders, the Bank will receive an allocation of twenty percent (20%) of the amount allocated for distribution solely to Noteholders, or \$410,000. A copy of the agreement between the Bank and the Class Representatives is attached to the Gibney and percent (50%) of the Gross Attorney Scitlement Fund, or \$2,050,000 will be allocated to a class of creditors consisting solely of

The Proposed Settlement with Eigner

clapse before Settlement Class members receive any benefit. amount of damages awarded, if any, is uncertain because, among other things, certain of the claims may be barred by the applicable a judgment were rendered in favor of the Settlement Class, appeals will follow, and it is likely, therefore, that several years could to liability and remedy, as well as other uncertainties and risks inherent in protracted litigation, including the likelihood that even if statutes of limitations, and because Eisner's alleged liability depends on the resolution of many sharply disputed issues relating both members will receive from the settlement; and (b) the fact that the outcome of liligating the claims against Eisner, including the the claims against Eisner. Settlement Class Counsel have considered such things as: (a) the benefits that the Settlement Class thousands of pages of documents relating to such claims. In addition, Settlement Class Counsel have analyzed the law relating to and circumstances relating to the claims asserted against Eisner in the Class Action. Settlement Class Counsel have examined 24. Settlement Class Counsel have also conducted a thorough investigation and undertaken extensive discovery into the facts

In addition, in the opinion of Seulement Class Counsel, the Bondholder Action, which involves Eisner's issuance of accouning opinions regarding the Healtheare Subsidiaries which issued the Bonds purchased by the Bondholders (but which did not issue the Bondholders' claims, \$1,005,000 will be allocated to settle the claims of the Settlement Class and the Administrative Trustee, Notes purchased by the Settlement Class), is not subject to certain defenses available to Eisner in the Class Action. Bondholder Action against Eisner were to proceed to trial independently of the Class Action, the Bondholders could obtain a fair, reasonable, and adequate for the Settlement Class, Settlement Class Counsel have also considered the fact that udgment against Eisner which could potentially exhaust the insurance coverage which forms the basis for the proposed settlement 25. In concluding that the proposed settlement with Eisner, under which, of the \$6,000,000 Eisner will pay to settle 동등

The Proposed Settlement with the Administrative Trustee

Class members and the Administrative Trust (and creditors of Towers) of reaching a settlement providing for the cooperative obtain recoveries, would complicate and lengthen the Class Action. They have recognized the mutual benefit to the Settlement creditor class pursuant to the Plan, approximately 45 to 55% of amounts distributed through the Administrative Trust (the actual themselves with the standing and entitlement issues to be resolved by the proposed Trustee Settlement and have analyzed the law relating to such issues. Settlement Class Counsel have also recognized that Noteholders will receive, pursuant to the Plan, as a counsel to reach and implement the proposed Trustee Settlement. Counsel have conducted extensive arm's length negotiations with the Chapter 11 Trustee's counsel and the Administrative Trustee's prosecution of damages claims against Defendants and the equitable division of proceeds from these claims. Settlement Class with the Administrative Trustee over who, as between the Administrative Trustee and the Class, has the right to pursue claims and percentage being a function of still pending claims and proceedings in the Towers Chapter 11 cases). If unresolved, the dispute trustees under agreements similar to the proposed settlement agreement with the Administrative Trustee, have familiarized 26. Sculement Class Counsel, who also have substantial experience in cooperatively prosecuting claims with bankrupte,

they have asserted against Squadron Ellenoff be dismissed with prejudice, <u>i.e.,</u> thrown out. While Settlement Class Counsel believe that the claims they have asserted against Squadron Ellenoff have merit, and have objected to Judge Peck's recommendation, there Defendants in the Class Action is the law firm of Squadron Ellenoff. As indicated above, Magistrate Peck, to whom the Class Action has been assigned by District ludge Whitman Knapp for pretrial purposes, has recommended to Judge Knapp that the claims is no assurance whatsoever that the claims against Squadron Ellenoff will survive. 27. The following example illustrates why Settlement Class Counsel believe the Trustee Settlement to be desirable. One of the

28. However, the Administrative Trustee has filed an adversary proceeding <u>Raymond H. Wechsler. Administrative Trustee v.</u> Squadron, Ellenoff, Plesent & Sheinfeld, LLP, Adv. Pro. No. 96-18314A, in the Towers Chapter 11 cases in which the able to recover against Squadron Ellenoff, even if Squadron Ellenoff is dismissed from the Class Action. Settlement Class Counsel make no assurances that a recovery will be fortheoming in that action, the Administrative Trustee may be fiduciary duty. While there have been no rulings of any kind in the Administrative Trustec's action against Squadron Ellenoff, and Administrative Trustee asserts claims against Squadron Eltenoff for attorney malpractice, breach of contract, and breach of

OClass Action, the Settlement Class has the right to share in any recovery obtained by the Administrative Trustee in the Condiministrative Trustee's action against Squadron Ellenoff. While there can be no guarantee that the Trustee Settlement will result the Settlement Class receiving greater recoveries than if the Trustee Settlement were not entered into, Settlement Class Counsel Checkee that the Trustee Settlement will substantially assist in maximizing the potential recovery of the Settlement Class. of the recoveries in the Class Action, including the recoveries from the Settling Attorney Defendants and Eisner, the Settlement action against Squadron Ellenoff. Accordingly, under the Trustee Scillement, even if Squadron Ellenoff is dismissed from the Class acquires the reciprocal right to share in certain recoveries obtained by the Administrative Trustee including in respect of the 29. By entering into the Trustee Selficinent, in exchange for compromising on the Administrative Trustee's claim to a portion

APPLICATION OF SETTLEMENT CLASS COUNSEL FOR REIMBURSEMENT OF EXPENSES AND AJVARD OF ATTORNEYS' FEES

REIMBURSENTENT OF EXPENSES AND AWARD OF ATTORNEYS: FEES

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30. Settlement Class Counsel have undertaken to prosecute this action on behalf of Noteholders on an entirely contingent basis.
Settlement Class Counsel have undertaken to prosecute this action on behalf of Noteholders on an entirely contingent basis.

Settlement Class Counsel have undertaken to prosecute this action on behalf of Noteholders on an entirely contingent basis.

Owners of the proposed settlements with the Settlement of costs and expenses and an award of attorneys' fees in connection.

Once of the proposed settlement with the Settlement of this proposed by this Court on December 18, 1995. Settlement Class Counsel with American Credit Indemnity and Company ('ACI') approved by this Court on December 18, 1995. Settlement Class Counsel by for reimbursement of costs and expenses previously incurred in the prosecution of this Higation in the amount of \$227,000. Settlement Class Counsel have received no other compensations for their services from the inception of this Higation in March 1993 to the present. Settlement Class Counsel will apply for an award of attorneys' fees, in accordance with the terms of the Trustee Settlement, of thirty percent (25%), or \$375,000, of the gross amount recovered in connection with the ACI settlement Class Counsel will not seek an award of attorneys' fees from any portion of the prosent settlements allocated to the Bank. In addition, the Administrative Trustee may seek to have attorneys fees. Orespect of the Administrative Trustoe's counsel do not exceed twenty-five percent (25%) of the gross amount recovered in Oxonmection with the Gibney, Bronson and Eisner Settlements. In addition, Settlement Class Counsel intend to apply, on behalf of the Class Representatives, payable from the Gross Recovery, In recognition of the services performed by the Class Representatives for the benefit of the Settlement Class. Ofee application will be reduced accordingly, such that the total fees paid to Settlement Class Counsel and reimbursed or credited to he benefit of the Administrative Trust to the extent allowed under the Trustee Settlement or otherwise. Settlement Class Counsel's expenses not to exceed \$50,000 connected with the Administrative Trustee's action against Eisner reimbursed or credited to

FINAL SETTLEMENT APPROVAL HEARING AND COMMENTS BY CLASS MEMBERS

AND COMMENTS BY CLASS MEMBERS

O TO The Court will hold a hearing commencing on October 15, 1996, at 9:30 a.m., in the courtroom of the Honorable Andrew Officek, United States Magistrate Judge for the Southern District of New York, located at the United States Courthouse, 500 Pearl Street, Courtroom 20D, New York, New York 10007, to determine whether the proposed settlements with the Settling Attorney Defendants and Eisner and the Trustee Settlement are fair, reasonable, and adequate. Although you may attend this hearing, you mate not required to do so.

32. YOU DO NOT NEED TO APPEAR AT THE HEARING OR TAKE ANY OTHER ACTION IN SUPPORT OF THE OSETTLEMENT OR SETTLEMENT CLASS CERTIFICATION. As a Settlement Class Action through your own autoriney. If you wish to submit written comments on the proposed settlements. You have the right to state you pow wish to submit written comments on the proposed settlements. You have the right to state you pow wish to submit written comments on the proposed settlements. You have the right to state you pow wish to submit written comments on the proposed settlements. You have the right to state you pow wish to submit written comments on the proposed settlements and/or Scrittenant Class Action through your own autoriney. If

of costs and an award of afforneys' fees, you may do so provided that your letter, including any materials which you wish the Court you wish to submit written comments on the proposed settlements and/or Settlement Class Counsel's application for relimbursement sider, is postmarked no later than September 24, 1996 and is sent to the Clerk of the Court, United States Courthouse, 500 treet, Room 120, New York, New York 10007. Copics must be sent simultaneously to the altorneys listed below:

Daniel C. Girard, Esq. GIRARD & GREEN, P.C 160 Sansome Street, Suite 300

San Francisco, CA 94104

New York, NY 10022 153 East 53rd Street One Citicorp Center WILLKIE FARR & GALLAGHER Richard Mancino, Esq.

Settlement Class Counsel

Case 3:96-cv-01023-L-

Counsel for the Administrative Trustee

New York, NY 10017-2803 747 Third Avenue SILLER WILK LLP Mark E. Housman, Esq

Offices of Bruce Bronson, and H. Bruce Bronson, Jr., the Law Counsel for Defendants

SHEREFF, FRIEDMAN, HOFFMAN & Robert I. Jossen Bronson & Migliaccio

919 Third Avenue New York, NY 10022 GOODMAN

Richard A. Eisner & Co. LLP Counsel for Defendant

> Washington, D.C. 20036 2000 "M" Street, N.W., Suite 700 GRAHAM & JAMES LLP Christopher Kip Schwartz, Esq.

Counsel for the Bank of Cape Verde

Uniondale, NY 11556-0111 EAB Plaza RIVKIN RADLER & KREMER lanies P. Nunemaker, Jr., Esq.

Anthony & Flaherty Counsel for Defendant Gibney.

33. You may be heard orally in support of or in opposition to the proposed settlements, provided that you mail a letter, postmarked no later than September 24, 1996, stating your intention to appear before the Court personally and indicating briefly the nature of the argument to be presented. Copies of such letter must be sent to the Clerk of the Court and the attorneys designated above.

34. If you do not object to the proposed settlements in the manner described above, you shall be deemed to have consented to the settlements and to have waived all objections and shall forever be foreclosed from making any such objections.

OPTION OF EXCLUSION FROM THE SETTLEMENTS

- Sculement Class member for purposes of participating in each of the Gibney, Bronson and Eisner settlements and the Trustice Settlement. Your choice will have consequences, which you should understand before making your decision. 35. If you are included in the above definition of the Settlement Class, you have a choice as to whether or not to remain a
- 36. If you want to be excluded from the Settlement Class or from any of the Gibney, Bronson or Eisner settlements, you must notify Settlement Class Counsel in writing by mail postmarked no later than September 24, 1996 at the address listed in paragraph 32 above and specify from which of the proposed settlements you wish to be excluded. You may not exclude yourself from the Trustee Settlement and still participate in any of the Gibney, Bronson or Eisner settlements. To exclude yourself from the Trustee Settlement you must exclude yourself from the Settlement Class.
- settlements with any of the foregoing; and (3) you may present any claims you have preserved against the Settling Attorney to claims asserted by the Administrative Trustee, whether favorable or not, to the extent you excluded yourself from the proposed be bound by any decision in the Class Action regarding the claims against the Settling Attorney Defendants or Eisner or entitlement 37. If you elect to exclude yourself from the Settlement Class or any proposed settlement, (1) you will not share in the money that will be paid to the Settlement Class as a result of the settlement from which you elected to exclude yourself; (2) you will not Defendants or Eisner by filing your own Jawsuit, or you may seek to intervene in the Class Action.
- obtained by the Administrative Trustee on claims against certain persons who harmed the Towers estates, all as more fully and cannot be presented by you in any lawsuit. As a Settlement Class member, you have the right to share in the money that will be paid to the Settlement Class as a result of the settlements with the Settling Attorney Defendants and Eisner and any money by the Administrative Trustee against persons who harmed the Towers bankrupicy estates will be released by the Trustee Settlement alleged in the Class Action will be determined in the Class Action and released by the proposed settlements and cannot be presented Class member, all of your claims against the Settling Attorney Defendants and Eisner for damages arising out of their conduct as 38. IF YOU WANT TO REMAIN A SETTLEMENT CLASS MEMBER AND PARTICIPATE IN EACH OF THE PROPOSED SETTLEMENTS, YOU ARE NOT REQUIRED TO DO ANYTHING AT THIS TIME. By remaining a Settlement described in the Trustee Settlement. by you in any other lawsuit. Furthermore, any claims against the Administrative Trustee regarding entitlement to claims asserted

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RIGHT'S AND OBLIGATIONS OF CLASS MEMBERS

scitting Attorney Defendants and Eisner, you are requested to notify Settlement Class Counsel at the address listed in paragraph 44 Sefendants and Eisner as alteged in the Class Action will be determined in the Class Action. You will be entitled to notice of any wither ruling affecting the Settlement Class. For this reason, as well as to enable you to share in the payments made by the below, of any corrections or changes to your name or address. further orders and judgments of the Court affecting the Settlement Class, and your claims for damages against the Settling Attorney 39. As a member of the Settlement Class, if you do not exclude yourself from the Settlement Class, you will be bound by all

Op 40. I du face from the let you wish, however, you may refain and appear through your own attorney, at your expense. You may refain and appear through your own attorney, at your expense. You day also seek to intervene individually in the Class Action, and you may advise the Court if at any time you think you are not Oding fairly and adequately represented by the Class Representatives or Scittement Class Counsel. 40. You need not hire or pay an attorney. Settlement Class members will be represented by Settlement Class Counsel, who are

41. If you wish to preserve your right to pursue an arbitration or individual court action against a broker-dealer in connection with your investment in Towers Notes, you are not required to exclude yourself from the Settlement Class. You will be separately edified, if and when this action is certified for liability purposes as against one or more broker-dealer defendants, of your right to participate or exclude yourself.

AGAINST BROKER-DEALER DEFENDANTS

3/00 Each claims on an individual basis. Scitlement Class Counsel have advised the Court that, in light of the limited assets of the Boker-Dealer Defendants, they believe that pursuing such claims on behalf of the Plaintiff Class would not be cost-effective.

Scitlement Class Counsel have advised the Court that there are approximately 160 Broker-Dealer Defendants, virtually all of whom have very limited assets from which to satisfy an eventual judgment in the Class Action; that there appears to be no suitable broker-dealers who sold Notes (collectively, the "Broker-Dealer Defendants"). Settlement Class Counsel have advised the Court they propose to dismiss, without prejudice. All claims asserted against the Broker-Dealer Defendants, or in some cases, to pursue Broker Dealer Defendants might need to be presented individually, which would result significant confusion, delay and expense, and potentially render a class action against the Broker-Dealer Defendance with the significant confusion, delay and expense. egesented in the Class Action. without prejudice, effective on October 15, 1996, meaning that your claims against the Broker-Dealer Defendants will not be ger of Class members in individually controlling the prosecution of separate actions against Broker-Dealer Defendants. In light of mers have initiated individual arbitration proceedings against Broker-Dealer Defendants, indicating substantial interest on the reproduitative of the proposed defendant class of Broker-Dealer Defendants, such that claims and defenses relating to each of the Welcgoing, Class Counsel intend to dismiss the claims of the Class Representatives against the Broker-Dealer Defendants potentially render a class action against the Broker-Dealer Defendants unmanageable; and that a substantial number of Class The Class Representatives in the Class Action sued J.B. Bogart & Associates, Consolidated Financial Serv., Inc., Dain rtin Kaiden Company, and Montercy Bny Securitics, individually, and as representatives of a defeudant class consisting of , Inc., David deBarardinis, East-West Capital Management, Inc., First Affiliated Securities Inc., Halpert & Company

by intervening in the Class Action or instituting a separate action or other proceeding through your own autorney. Settlement Class Counsel have advised the Court that they believe you will not be prevented by applicable statutes of limitations from pursuing Class Counsel have advised the Court that they believe you will not be prevented by applicable statutes of limitations from pursuing Class Counsel have advised the Towers Broker-Dealers responsible for soliciting your Note investments, provided you act immediately upon receipt of this Notice to assert such claim through your own autorney. If you have questions relating to the dismissable they upon receipt of this Notice to assert such claim through your own autorney. Opurt on the merits of any claim you may have against any of the Broker-Dealer Defendants or any defenses thereto. 43. If you wish to pursue a claim against a Broker-Dealer Defendant arising out of your Note investments, you may seek to do by intervening in the Class Action or instituting a separate action or other proceeding through your own attorney. Settlement bw. You may comment on the distrissal of the Class Representatives' claims against the Broker-Dealer Defendants by epresentatives of the claims against the Broker-Dealer Defendants, or if you wish to receive a list of attorneys who may be pursue claims against Note broker-dealers on a conlingent basis, you may contact Settlement Class Counsel at the address

ADDITIONAL INFORMATION

44. Any questions you have concerning the matters contained in this Notice (and any corrections or changes to your name or

Towers Financial Corporation Noteholders Litigation c/o GIRARD & GREEN P.C. San Francisco, CA 94104 160 Sansome Street, Suite 300

First-Class Mail U.S.Postage Gilardi & Co.

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GIRARD & GREEN, P.C. San Francisco, CA 94104 Daniel C. Girard, Esq. Eric H. Gibbs, Esq. 160 Sansome Street Suite 300

agreements embodying the proposed settlements with the Settling Attorney Defendants and Eisner and the Trustee Settlement, are available for inspection and copying at the Office of the Clerk of the Court, United States Courthouse, 500 Pearl Street, Room 120, New York, New York 10007, during regular business hours. 45. Complete copies of all pleadings and papers filed in the Class Action, including the complete text of the settlement

Broker-Dealer Defendants. The Court has not yet set a trial date, as further discovery and other pretrial proceedings remain to be be restored to their respective positions as they existed immediately prior to the presentation of the settlement agreements to the Class. In any event, the actions will continue against all other Defendants who are not parties to these settlements, except the 46. If any of the proposed settlements are not approved by the Court, the settlements will be null and void; and the parties will

DATED: August 7, 1996

CLERK, UNITED STATES DISTRICT COURT

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION

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		× ×	· ·		And Related Cases 547	ZÓO /SEE €	NOTEHOLDERS LITIGATION :	VO 1 THEMICAND CONFORMATION	TOTAL CORPORATION			X	UNITED STATES DISTRICT COURT	
9:35 a.m.			94 Civ. 1792, 2727	1080, 1927, 4692,	Related Cases:	94 CiV. 619, 721, 724; 725, 814	1303, 1543, 1686	1095,	93 Civ. 961, 0987,	lidat	LEAD CASE:			ı

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from now.

The trigger point is going to be Duff & Phelps's

THE COURT: We are coming back roughly 40 days

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have resolved the issue, or, if not, tell me and I will do react to that, and have you all come back and tell me you you a short but reasonable amount of time to be able to submissions in 30 days of what its claim is. I want to give

STAMMELL & SCHAFER,
Attorneys for plaintiff
JARED STAMELL Attorneys for Detroit Retirement System JOHN BERG CLARK, HILL, APPEARANCES: Before: HON. ANDREW J. PECK United States Magistrate Judge

> have put in. won't get your costs at that time until I digest what you if you think you need more, you will get more, but you just in in advance of that. You should aim at 20 to 30 days, but your money at that session, you should get your submission approval the settlements, if that's doable, and if you want that, because what I will try to do at the next session is cetera. tell me where that leaves us in terms of holidays, et Obviously your submission should be in advance of But assume you will all come back in 40 days, and

the dates for when we come back. anything about the broker dealer settlement or THE COURT: All right. Anyone want to Вау

dealers, if there are any questions on that, and we can set

MR. GIRARD: Why don't we cover the broker

non-settlement per se but dismissal?

(No response)

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THE COURT: The person who stood up about that

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2 and Mr. Girard's affidavit at paragraph 49. The broker

defendants. See for example, plaintiff's brief at footnote

connection with the dismissal of the broker dealer

lack of a financially viable broker dealer defendant to economically of benefit to the class and, in any event, the viability for litigation against them as a class to be dealer defendants do not appear to have the economic counsel receive any consideration monetarily or otherwise in

Neither the class representatives nor class

California, October 20, 1986.

Westlaw 15339 at page star 2-3. Northern District of

dismissed with prejudice as this point because Judge Knapp

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_	gave them leave which they accepted, to file a conspiracy.
~	type complaint against Squadron, which will be the subject
	of further motions.
-	In any event, there is no parity between the
01	situation as to Squadron and the situation as to the broker
٠,	dealers, and the objection is not in the class's interest.
~	The discontinuance of the class action here will not be of
	any harm to the members of the class. Many of them have
~	already brought individual suits either at law or in
_	arbitrations. If any of those who have waited based on
	their reliance on the class action and there is law to the
~	effect that the class action tolls the statute of
w	limitations and see, for example, in that regard the In Re
•	the particular decision decision reported at 1986

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note in that regard that the administrative trustee has	possible amount that could be recovered by the class.	action basis against the broker dealers will exceed any	reason to doubt, that the cost of pursuing claims on a	The plaintiffs believe, and the court has no	would be appropriate in this case.	raises severe questions as to whether a defendant class	serve as a class representative of the defendant class

pay the greater amount of damages that are being sought on a so it is unlikely that the broker dealers would be able to gets 50 percent under the trustee in reorganization's plan dealers have generally been unable to pay all but even a preference and related bankruptcy claims and that the broker the broker dealers or Note sale commissions as a voidable class action basis here. small fraction. And I note, by the way, that the noteholder any has sued a class 0

dealer because their broker dealer is now out of business or great interest in controlling their own litigation. . not financially viable to support a claim Plaintiff's believe that 30 percent of the class have suits broker dealer, and that many did not sue against the broker one sort or another, including arbitration, against the As noted before, the class members have shown a

litigation, where people opted out even of that settlement We already saw in connection with the ACI 23 22 2 20 19

> broker dealer separately would lead to litigation management proceeding on a plaintiff class action based against each outs involved. There is likely to not be any adequate class individual proceedings. problems, not insuperable on its own, but along with the financial difficulties and other difficulties, so that in representative of the class of broker dealers because of the broker dealers, there would be a significant level of opt dealer, but if we did have a class proceed against the in order to protect their claims against their broker financial viability does not make a class action superior to

There has not been any motion practice on motions to dismiss class members about the intent to dismiss without prejudice broker dealer defendants or the broker dealer class. or even discovery motions or anything else involving the Towers and related actions against the broker dealer the court overruled or disregards. from any class member, other than the one I referred to that as to the broker dealer defendants. There was no objection One broker dealer propounded written discovery. Most importantly here, notice was given to the There has been very little activity in the In The broker dealers who were served answered בה Яe

court dismiss the plaintiff class claims against the broker In conclusion I recommend to Judge Knapp that the

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communicated with you, asking for the names of counsel to

should send a form letter to those people who had

THE COURT: What's your view as to whether you

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happened

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24 of 344		

the existing notice onme additional notice at what we were their time to bring to do it, they really thought of is this iaz. We are well of what we have done from people in le who are going to paid attention and ng time ago, llectible, or have and done it. So I o be renotifying them to do has in fact

7	6	U	*	ш	N	Ц
was granted and that they should proceed immediately with	form letter within a week advising people that the motion	the shoulders of the rest of the class.	that easily. It doesn't pla	MR. GIRARD: We }	broker dealer issue?	pursue matters or otherwise raising questions about the
nould proceed imme	lvising people tha		It doesn't place a disproportional expense on	We have that record, and we can do		raising questions
diately with	t the motion	We will send out a	nal expense on	and we can do		about the

we'll reiterate that. included a statement that they should act promptly, but identities of the lawyers who could bring those claims THE COURT: All right. That seems sufficient to The letter that we sent them advising them of the their claims.

plaintiffs' counsel with respect to the broker dealer issue that they are the ones whose letters are attachments to his are already a part of Mr. Girard's submission to the court. that letter should only be sent to those who have contacted class notifying them of my report and recommendation, but Mr. Girard's firm or co-counsel will send a letter to the reply affidavit in this matter. the court, and so, accordingly, it is ordered that He knows who they are, and the court record will reflect Those are the people whose letters and responses

the notice of the intent to move for dismissal is sufficient As to the rest of the class, the court finds that

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I will ask Mr. Girard to order this back little portion of the is transcript separately and if no objections	prejudice.	against the broker dealer defendants be dismissed without	Accordingly, I recommend to Judge Knapp that the claims	would be disproportional to the benefit to the class.	dealers, and that the cost of sending additional notice	are going to pursue any individual claim against the broker	to inform them that they need to take prompt action if they

recommend basis, but but of an excess of caution I will do motion seeking approval. I suspect I might have had the are filed within 10 days, as I suspect none will, that he it this way and let Judge Knapp do the final entry of an right to enter this order without doing it on a report and will forward this to Judge Knapp with an appropriate cover ctions

to further discuss the settlement bar order. members who are going to get your letters an extra 10 days. Let's now decide when you are going to come back With respect to that, I'd also advise the class

that would MR. GIRARD: I was looking at the 19th, since is

that I have got to make at this point that Duff & Phelps is are coming into Thanksgiving season, but on the assumption THE COURT: With all due respect, and I know we

> of day within that week? have got a trial on the week of December 2. Any preferences give you enough time to confer with each other: I am rushing in here with sloppy preparation, and that doesn't you more time to work together is of more benefit than cases and Towers cases if that works, but feeling that gives any use hearing before the first week of December or so as being of you are all going to need a bit of time to react to it, therefore looking at the week of December 9, just because I want to keep this on a fast track, I don't see holding a not going to do its pleading until Friday the 15th, and that research the viability of such claims, et cetera, as much I You know I run a rocket docket on non-Towers

great risk that all of these settlements, or at least the ones affecting Bronson and Gibney, are going doing to go before, but I just want to end repeating what I have said December 11 at 9:30 a.m. I know you have heard all this recognize the needs for settling defendants to have global down the tubes because only of the mettlement bar, and I else is going to pick up the slack or litigate. There is a chicken on the settlement bar order or hope that somebody before. There is a limit to how much you can either play MR. GIRARD: Could we have the 10th or the 11th? THE COURT: All right. Let's do it Wednesday,

In re

and Related Cases. TOWERS FINANCIAL CORPORATION HOTEHOLDERS LITIGATION

WHITHAN KNAPP, SENIOR DISTRICT JUDGE

Noteholders Litigation. the settlements reached between many of the parties in the Towers of the claims against the broker/dealer defendants and approval of the record, respectively recommending dismissal without prejudice 15% and November 22, 1996 Report and Recommendations, as read into Before us are Magistrate Judge Andrew J. Peck's October 15,

filed. Finding them to be eminently fair and reasonable, we affirm the Report and Recommendations in their entirety. Accordingly: objections to the Repost, and Recommendations have been

- the Eisner, Bronson, and related Bronson law firms, and Gibney Anthony & Flaherty settlements, including the revised bar orders incorporated
- (2) the Trustee settlement is approved;
- is dismissed without prejudice; (3) the plaintiff class claims against the broker/dealer class and broker/dealer defendants
- (4) plaintiffs' counsel shall be \$1,523,750 in counsel fees;
- (5) the individual named plaintiffs are to receive an incentive award of \$5,000 each, but only once as to each plaintiff class representative or related plaintiff class representative without regard to multiple capacities;
- (6) the request for an award of out-of-pocket

93 Civ. 0810 (WK) (AJP)

New York, New York December 11, 1996

WHITHAN KNAPP, SENIOR-W.S.D.J

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costs to counsel is denied without prejudice to renewal with further detail.

CONFIDENTIAL PRIVATE OFFERING DOCUMENT

TOWERS FINANCIAL CORPORATION For: Accredited Investors Only

For 12-Month Promissory Notes
And 15% Per Annum For 24-Month Promissory Notes Bearing Interest At The Rate Of 13% Per Annum \$100,000,000 In Recourse Promissory Notes

Realthcare Accounts Receivable Due From Major Insurance Receivable And Loans And Accounts Receivable Purchased From Governmental Agencies Collateralized, Secured And Backed By Companies, Commercial Accounts

(1) Commissions of 5% per Unit will be paid from the offering for the run-run of 2-month granizory note and as additional 5% per Unit will be paid one year from Sale and Autorepose. Commissions of 5% per Unit will be paid for the sale of 12-month strengthy notes uson Sale and Autorepose. Commissions will only be paid to profest addition that are reserved to the Salesial Autorepose of Sarantes Desire, fac. Autoreum to commissions which he are paid will increase the proceeds to the Company. Per Unit (minimum affering is one Unit)
Total 1,000 Unit (maximum offering) Saturpière Pros Parable Upen Suburisies \$ 100,000 (%5)000'000'58 (%5)000'5 s 14:56/000/000/545 3 95,000(95%) Presents to

This Offering Document Does Not Constitute an Offer to Any Person Other Than:

Offices Number: 15178

Name:

417 FLETH AVENUE, NEW YORK, NY 10016 (212) 696-0505 1

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DATED: October 1, 1990

Shield, state governmental agencies, major unions, worker's compensation reimbursers, personal injury reimbursers. The Business Accounts Receivable wilbe receivables of and payable by commercial businesses. The FDIC and RTC Receivables will be purchased at auction and, may be secured by street. (The Healthcare Receivables, Business Accounts Receivable and PDIC and RTC ceivables and leans purchased from the Federal Deposit Insurance Corporation ("FDIC") and/or Resoluhealthcare providers (the "Sealthcare Receivables"); (ii) Business Accounts Receivable purchased from bacted by (i) Healthart Account Receivable purchased from hospitals doctors, medial groups and other tion Trust Company ("RTC") (the "FDIC and RTC Receivables"), or from securciary sources. rainulacturers, wholesalers and service companies (the "Business Accounts Receivable"); and/or (iii) reonly, 12-month and 24-month Promissory Notes which are recourse to Towers, secured collateralized and Healthcare Receivables will be receivables of, and payable by, major insurance comparies. Blue Cross/Blue tectivables are collectively referred to as the "Accounts Rectivable".) Towers Financial Corporation ("Towers" or the "Company") is offering for sale to Americal Enventura

bear interest at the rate of US per arrow and the 24-month Promissory Notes will bear interest at the rate to the terms set forth herein as may be amended from time to time. The 12-month ?timissory Notes will 15% per annum. Interms will be payable monthly or quarterly at the option of the investor. Investors will have the option upon matterity to resinvest the proceeds of the Processory Notes, subject

can be acquired for a substantial discount from their stated face value. apon the purchase of FDIC and RTC loans and recurrables offered periodically by the FDIC and RTC at poteholders. Towers may trainvest in the same healthcare provider of business callify of trainvest in a new of sex unes per year, which is experied to provide sufficient funds for the payment of interes to the promissory uonal Accounts Recurable resulting in the compounding of the factoring for with each new purchase. lease. Upon collection of each Account Reservable, the proceeds of collection will be travested in addiauction. FDIC and RTC loans and receivables generally are non-performing loans and receivables which فللأحجب الحيالارجية والاستراد والمحاودة والنار بالمرادية والمرادية والمرادة والمراد Receivable which is equivalent to a factoring fee of a minutation of STs for each Account Receivable collowers expects to couver the collected funds in Accounts Receivable and compound it become fee up to Towers applically purchases Accounts Receivable for up to 95% of the fact amount of such Accounts

GLOSSARY CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANING SET FORTH AT

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אבאוסאג אז סבישכם אבעניא (SEE TEXNS OF THE שאינוזאבאר) THIS SUMMARY IS CONFIDENTIAL AND MAY ONLY BE SHOWN TO ACCREDITED IN

THE UNITS HAVE NOT BEEN REGISTERED WITH OR APPROVED OR DISAPPROVED BY, THE SECURITIES AND EXCHANGE COMMISSION OR BY THE SECURITIES REGULATION TORY AUTHORITY OF ANY STATE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON OR ENDORSED THE MERITS OF SENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRE

TOWERS SHALL MAKE AVAILABLE TO EACH INVESTOR OR HIS AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY UNITE. THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM ANY PERSON AUTHORIZED TO ACT ON BEHALF OF TOWERS CONCERVING ANY ASPECT OF THE INVESTMENT AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT TOWERS HAS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY ACCURACY OF THE INFORMATION CONTAINED HEREIN

BY PROSPECTIVE INVESTORS, NO SOLICITATION OF ANY SUCH OFFER INCLUDING ANY TANCE OF OFFERS TO PURCHASE SUCH SECURITIES WHICH ARE TENDERED TO TOWERS SALES OF THESE SECURITIES CAN BE CONSUMMATED ONLY BY TOWERS' ACCES

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STATE SECURITIES LAWS) IS AUTHORIZED WITHOUT THE PRIOR APPROVAL OF SUCH SOLICITATION WHICH MAY BE CONSTRUED AS AN "OFFER" LYDER FEDERAL AND/OR PROSPECTIVE INVESTION BY TOWERS.

SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS. PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE READED TO BEAR THE FRANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE READED TO BEAR THE FRANCIAL RISK OF THE STANDARD THE RISK OF THE STANDARD THE RISK OF THE STANDARD THE RISK OF THE RISK OF THE STANDARD THE RISK OF THE RISK OF THE STANDARD THE RISK OF THE STANDARD THE RISK OF THE RIS SALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE WENT FOR AN INDEFINITE PERIOD OF TIME (SEE TRISK FACTORS" THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RE

BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION. FIRM WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN ECEMPTION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER DEALERS MUST CON-

FOR ALLEANA RESIDENTS ONLY: THESE SECURITES ARE OFFERED PURSUANT TO A CLAM OF EXCAPTION CYDER THE ALBANA SECURITES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITES HAS NOT BEEN FILED WITH THE ALABAMA SECURITES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR ALASKA RESIDENTS ONLY. THE SECURITES OFFERED HAVE BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITES OF THE STATE OF ALASKA UNDER PROVISION OF 3 AAC 08.50. THE INVESTOR IS ADVISED THAT THE ADMINISTRATIOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACTOF REGISTRATION DOES NOT MEANTHAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS, RECOMMENDED OR TION OF AS 45.55.170. APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLA

CLUDING THE MERTIS AND RUSKS INVOLVED, IN MAKENG AN INVESTIMENT DECISION ON SON OR ENTERY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING. THE DIVESTOR MUST RELY ON THE DIVESTOR'S OWN EXAMINATION OF THE PER 7

FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT TO A.R.S. SECTION 44-18-68 BUTTHE FACT OF THE GRAINTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION ERWISE APPROVED THE SECURITIES DESCRIBED HEREIN. EXEMPTION XEAN THAT THE COMMISSION HAS PASSED UPON THE MERITS OF OR OTH THAT THIS OFFERING DOCUMENT IS TRUE OR ACCURATE NOR DOES SUCH GRANT OF

FOR ARCANSA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAM OF EXEMPTION UNDER SECTION 21-2:94(3)(1) OF THE ARKANSAS SECURITIES ACT OF ACT AND RULE 506 OF REGULATION D PROMULEABLED UNDER THE SECURITIES ACT OF 1931. AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCLANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION OF THE SECURITIES OF THE COMMISSION OF THE COMMISSION OF THE SECURITIES OF THE SECURITIE AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING DOCUMENT. ANY REPRESEN-HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS LATION TO THE CONTRARY IS UNLAWFUL

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UNDER THE SECURITIES ACT OF 1911, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECIFIC EXCUPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE. IF SUCH REGISTRATION IS REQUIRED. FOR CALIFORNIA PESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED

COLORADO SECURITIES ACT OF 1981. IF SUCH REGISTRATION IS REQUIRED SEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE LEMITED AVAILABILITY OF THE OFTERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUB-UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXCENTIONS THEREUNDER RELATING TO THE FOR COLOR-100 RESIDENTS ONLY THESE SECURITIES HAVE NOT BEEN REGISTERED

SALES ARE MADE TO FIVE OR MORE SERSONS PURSULANT TO SECTION SIT 66((1))(A)(5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE BY THE PURCHASER SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE BY THE PURCHASER FOR THE COMPANY OR ANY AGENT OF THE COMPANY OR AUTHOUT THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMPANY OR WITHOUT PURCHASER, WHICHEVER OCCURS LATER, THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE TIME) HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE TIME) HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE TIME) AND ASSESSMENT OF THE PURCHASER PROTECTION OF THE PURCHASER PROTECTION OF THE PURCHASER PROTECTION OF THE PURCHASER PROTECTION OF THE PURCHASER FOR CONNECTICUT RESIDENTS ONLY: THE SECURITIES REFERRED TO IN THIS OFFER. ING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 16-49 OF THE CONNECTICUT UNIFORM SECURITIES ACT. AND. THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UNDER SUCH ACT. UNIVESS THEY ARE REGISTERED UNDER SUCH ACT. ON EAS THEY ARE REGISTERED UNDER SUCH ACT. ON EAS THEY ARE REGISTERED UNDER SUCH ACT. ON EAS THEY ARE REGISTERED UNDER SUCH ACT. ON AN EXCURPTION FROM REGISTRATION IS AVAILABLE. FOR FLORIDA RESIDENTS ONLY. FLORIDA PURCHASERS ARE ADVISED THAT WHERE

FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CONSERT DECREE ENTERED INTO BY TOWERS FEVANCIAL CORPORATION (TOWERS) DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED OCTOBER I. 1990, PROVIDES THAT TOWERS IS SERVANENTLY ENJOYED FROM MOLATION NOT TO VIOLATE THE SECURATES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF TOWERS IN SCHOOL OF THE NEW ORDERS OF THAT TOWERS IN SCHOOL OF THE NEW ORDERS OF THAT TOWERS IN SCHOOL OF THE MOLATION NOT TO VIOLATE THE SECURATES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF VIOLATE THE SECURATES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF VIOLATE THE SECURATES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF VIOLATE THE SECURATES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF VIOLATE THE SECURATES LAWS. HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO GEORGIA, THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DISQUALFICATION FROM THE USE OF PRIVATE OFFERING EXCENDIONS IN THE STATE OF GEORGIA. TOW-ERS HAS APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMMISSION ALL GEORGIA OFFEREES.

FOR IDAHO RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS AN EXCHAPTION FROM REGISTRATION IS AVAILABLE

FOR ILLINOIS RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING DOCUMENT. ANY REPRESENT TATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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STATE SECURITES LAWS OR APPLICABLE EXEMPTIONS TREREFROM. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALFICATION PROVISIONS OF APPLICABLE FEDERAL OR

UNDER APPLICABLE SECUATIES LAWS OF LOUISIANA AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED ON UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE FOR LOUISUMA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED

FOR MARYLAND RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD TRANSFERRED OR OTHER WISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE MARYLAND SECURITIES ACT. RUTIES ACT, IF SUCH REGISTRATION IS REQUIRED.

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EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM FOR MINNESOTA RESIDENTS ONLY. THESE SECURITIES REPRESENTED BY THIS OFFERING HAVE NOT BEEN REGISTERED UNDER CHAPTER 30A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF

MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR FOREGOING AUTHORITES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED STATE SECURITIES COMMISSION OR REGITATORY AUTHORITY. FURTHERMORE, THE THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A FOR MISSISSERI RESIDENTS ONLY: IN MAKING AN INVESTIMENT DECISION INVESTIORS

THESE SECURITIES ARE SUBJECT TO RESTRUCTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FIVANCIAL RISKS OF THIS INVESTIMENT FOR AN INDEFINITE PERIOD OF TIME

STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, FURTHERMORE, THE MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS IN CREMENAL OFFENSE THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED VOLVED. FOR MISSOURI RESIDENTS ONLY: IN MAKENG AN INVESTMENT DECISION INVESTORS THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR

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JERSEY HAS NOT PASSED ON OR ENDORSED THE MERTIS OF THIS OFFERING DOCU FOR NEW JERSEY RESIDENTS ONLY: THE ATTORNEY GENERAL OF THE STATE OF NEW

NENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE TREASOF BY THE SUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL

FOR NEW MEWCO RESIDENTS ONLY. THE SECURITIES DESCRIBED HERRIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEIGCO. ACCORDINGLY, THE NEW MEIGCO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING. OF THESE SECURITIES AND HAS NOT APPROVED IN DISAPROVED THIS OFFERING. THE NEW MEIGCO SECURITIES BUREAU HAS NOT PASSEDUPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUIACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING DOCUMENT.

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FOR PENNSTRANIA RESIDENTS ONLY: PURSUANT TO SECTION 201(3) OF THE PENNSTRANIA SECURITES ACT OF 1972 EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WITHEN BYOD ON CONTRACT OF PURSUANT, ITS AFFELLATES OR ANY OTHER PERSON WITHEN BYOD ON CONTRACT OF PURSUANT, SURSCAIBERS SHOULD SEND A LETTER OR TELEGRAM PURSUANT SET FORTH MY THE OFFER MADE (SUBSCAIBERS SHOULD SEND A LETTER OR TELEGRAM SHOULD BE SENT WITHENAWAL A SUBSCAIBER SHOULD SEND A LETTER OR TELEGRAM SHOULD BE SENT FORTH MY THE OFFER MY THE COMPANY AT THE ADDRESS OF THE COMPANY SET AND POSITMARKED PRIOR TO THE COMPANY AT THE ADDRESS OF THE COMPANY SET AND POSITMARKED PRIOR TO THE COMPANY AT THE AFOREMENTIONED SECOND BUSINESS CERTED MADE RESIDENCE RELECTS TO SEND IT BY ALSO TO EVEN THE OWNER FOR WALTED. TO ENSURE THAT THIS RECEIPTED MADE ALSO TO EVEN THE THE WHEN THE OWNER MAKE OF THE THE WHEN THE OWNER THAT THIS RECEIPTED MADE ALSO TO EVEN THE THE WHEN THE WHEN THE WHEN THE WALTED WAS MADE SO SHOULD A SUBSCRIBER MAKE OF FRITTEN THAT THE RESIDENCE WAS SHOULD ASK FOR WAITTEN CONFIRMMATION THAT HIS RECEIPTED AND THIS RECEIPTED AND THE SECOND SECOND WAS FOR WAITTEN CONFIRMMATION THAT HIS RECEIPTED OF THE THAT RESIDENCE WAS FOR WAITTEN CONFIRMMATION THAT HIS RECEIPTED OF THE THAT RESIDENCE WAS FOR WAITTEN CONFIRMMATION THAT HIS RECEIPTED.

IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNSYLVANIA HERE3Y AGREE THAT THEY WILL WILL NOT SELL TRANSFER OR SUBDIVIDE THE UNITS PURCHASED HEREIN UNITEL AT LEAST ONE (I) YEAR FROM THE DATE

FOR SOUTH CAROLINA RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTMENT RELYON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND ENAL OR STATE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER REGULATORY AUTHORITY. FURTHER. THE FOREGOING ACTHORATES HAVE THE ACCURACY OR

> DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERRABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD THIS SON TRANSFERRABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD. EXCEPT AS PERMITTED LYDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE THE FINANCIAL RISKS OF THIS INVESTIMENT FOR AN INDEFINITE PERIOD OF TIME THE REFROM, INVESTIORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR APPLICABLE STATE SECURITES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION

THAT THIS OFFERING IS TRUE, COMPLETE, AND NOT MISLEADING; NOR HAS THE DIRECTOR OF THE DIVISION OF SECUNITIES PASSED IN ANY WAY UPON THE MERITS OF, RECONCRENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMIGNIE AND RECULATIONS OF THE STATE OF SOUTH DANOTA. THE EXCAPTION DOES NOT CONSTITUTE A FUNDING THAT THE EXCAPTION DOES NOT CONSTITUTE A FUNDING THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47-31A, WITH THE DIRECTOR OF THE THE CONTRARY IS A CREMENAL OFFENSE. FOR SOUTH DAKOTA RESIDENTS ONLY, THESE SECURITIES AND OFFERED FOR SALE IN

FOR TENNESSEE RESIDENTS ONLY. THESE SECURITIES HAVE BEEN REGISTERED WITH THE STATE OF TENNESSEE, AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE, AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE RESIDENTS. PURSECULATE OF THE STAYDARDS, EACH EVENESTOR WHO IS A MATURAL PERSON MUST HAVE A NET WORTH OF AT LEAST SYSCOOD EXCLUSIVE OF HOME HOME FURNISHINGS, AND AUTOMOBILES, AND MUST HAVE HAD A CROSS INCOME OF 564,000.00 DURING THE LAST TAX YEAR AND BE EXCECTED TO HAVE A GROSS INCOME OF AT LEAST SYSCOOD DURING THE CURRENT TAX YEAR, OR ALTERNATIVELY A NET WORTH OF AT LEAST SYSTEM AUTOMOBILES, ADDITIONALLY, CYDER THIS SUITABILITY STAYDARD, EACH NATURAL PERSON'S INVESTMENT AND THE TOP THE TENNEST CONTRACT TO THE TENNEST CONTRACT. MENT MUST NOT EXCEED TEN PERCENT (10%) OF HIS NET WORTH

THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DIFINED IN SECTION 501 (a) (1) OF REGULATION DIFROMULGATED CADER THE SECURITIES ACTOF 1933. SEE TERMS OF INVESTMENT: THE ACCREDITED CADESTOR STANDARD IS GENERALLY MORE RESTAILTY THE ACCREDITED CADESTOR STANDARD IS GENERALLY MORE RESTAILTY STANDARD IS GENERALLY IMPOSED BY THE STATE OF TERMS. THE MONGLY SUTLABILITY REQUIREMENTS IMPOSED BY THE STATE OF TERMS. THE PROPERTY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON TO THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON THE MONGLY SUTLABILITY STANDARD) IS THAT THE OFFERING IS MADES ON THE MONGLY SUTLABILITY STANDARD IS THAT THE OFFERING IS MADES ON THE MONGLY SUTLABILITY STANDARD. ONLY TO ACCREDITED INVESTORS.

FOR TEXAS RESIDENTS ONLY. THESE SECURITES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXCEPTION BEOFF EMPTION FROM REGISTRATION IS AVAILABLE

FOR UTAH RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UTAH UNIFORM SECURITIES ACT AND, THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE

FOR VIRGINAL RESIDENTS ONLY. THE VIRGINIA STATE CORNORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THIS OFFERING DOCUMENT OR UPON THE MERITS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE CITAL THE COMMISSION EXPRESSES NO OPINION AS TO THE

FOR WASHINGTON RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND

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RISKS DAVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER REGULATORY AUTHORITY. FURTHER, MORE, THE FOREGOING AUTHORITIES HAVE NOT CONFID-VED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMMAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRUCTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERABLOR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1931, AS AMERICED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXCAPTION THEREFROM, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THEE FINANCIAL RISKS OF THIS DAVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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Form of Promissory Note

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Proposed Activities: ...

TOWERS FINANCIAL CORPORATION

This summary of certain provinces of this offering is interested only for quick reference and is not interested to be complete. This investment describes in detail numerous expects of transactions which are numerical to Accred ited Investors, including thate surmanized below, and that affering should be read in its extrap by prospective

Certain capitalized terms used herein are defined in the Giossary

Promissory Notes and

Terms of the Investment

of 13% and 15% per annum, responsively, payable monthly or quarterly of the Promusery Notes, and Terms of the Investment). minumum subscription is for one Unit however, fractional Units may be ment" and "Description of the Promissory Notes"), Recommended compensation reunbursers, personal injury reimbursers, and all other (at the option of the Envestor), collateralized, secret and backed by (i) An aggregate of one hundred multion dollars (\$100.000.000) of to be subscribed for prior to investment of the Funds (see "Description to enemsion at the sole discretion of Company) (the "Offering Terminaeartier of the date all units have been sold or January 31, 1991 (subject lend hency to Actualized laveston only (see Tends of the lavestauct and (iii) receivables acquired from the FDIC and RTC (or from groups and other healthcare providers (ii) Business Accounts Receiv-sele puschased from manufacturers, wholesalers and service compathird party tempuraters purchased from nospitals doctors medical Cross/Blue Shield, state governmental agender, major anions, worker's uon Date"). There is no minimum number of units which are required ederal and state law. This inverse at opportunity will terminate on the impled at the sole and absolute discretion of Towers and subject to econdary sources), consisting of 1,000 Units at \$100,000 each, is ofnealtheure Accounts Receivable of major insurance companies. Blue Li-month and 24-month Promissory Notes, bearing interest at the rate

doctors, medical groups, health maintenance organizations, rehabilities-tion centers and other healthcare providers which will be payable by ma-Towers will acquire (i) Healthcare Accounts Receivable from hospitals RTC and FDIC (or from secondary sources). Krnce companies: and (iii) loans and receivables purchased from the injury reimbursers, and all other third parry reimbursers (ii) Business agencies, major unions, worker's compensation relativisers, personal jor ਯਭਪਤਸਾਫਣ companies, Blue Cross/Blue Shield sale zoveramental Accounts Receivable purchased from manufacturers, wholesalers and

be reinvested in additional Accounts Receivable thereby compounding collection of each Account Receivable, the proceeds of collection will lee of a minimum of 5% for each Account Receivable collected). Upon to 95% of such Accounts Receivable face value (a discount or factoring Towers acquires Healthoure and Business Accounts Receivable for up

> may be made. interest payments to investors) and the factoring fee will be significant ingly. Towers anticipates that the spread between its cast of funds (the a new or different healthout provider or business entity in accordance remyest in the same healthcare provider or business entity or reinvest in carrable. Towers expects to reinvest the funds in Accounts Receivable and provide adequate funds from which investors' interest payments with the terms of this Offering and Towers' purchase contracts. Accordand compound its factoring for up to see times per year. Towers may the discount or factoring for with each new purchase of Assounts Re

provided because Towers offers the needed funding to these healthcare do not manage their Accounts Recurrable efficiently. Towers' Accounts providers thereby bridging the time delay of slow paying instructs com-Receivable factoring program is well received nationwide by healthoure Generally, hospitals doctors, dentists and other healthcare providers payment and collection of the Action is Receivable. ance collection experts provide the needed resources to activitatio the parises and state and government agencies. Towers' large staff of instar-

culin additional funds for production of products prior to the receipt of mest cash flow negts As relates to the acquisition of Business Accounts Receivable, small Therefore, small businesses utilize accounts receivable financing to proceeds from the sale of such products. Additionally, temporary or easonal requirements for funds by small businesses are not uncommon.

packages of asset backed leans and receivables at auction based upon Towers' analysis of the value of such packages. Also, Towers may puror RTC. Generally FDIC and RTC leans are non-performing and in the chase FDIC and RTC loans and receivables from secondary sources case of the RTC learn such leans may be secured by assets including which have acquired such least and receivables directly from the FDIC As relates to receivables of the FDIC and RTC. Towers will purchase Caded The

ers and the books and remrés relating thereto will be available for inspection by Invesion or their professional advisers (see Thoposed Activities). The Promissory North are the remarks obligations of Towers and accordingly are backed by Towers' consolicated assets. The Accounts Receivable will be segregated from other assets of Tow-

of funds raised from investors. ments against Towers (as debtor) for those Accounts Receivable pur-Payment upon the Promistory Notes will be secured by the Security chased with the Funds or the proceeds thereof. Towers will maintain Agreement and the fling of Uniform Commential Code financing state. accounts Receivable in a fact amount equal to or exceeding the amount

for herein. All proceeds of the Accounts Receivable will be deposited The Funds will be deposited in Chase Manhattan Bank N.A. pursuant to a lock-box system in the Funding Account. The books and Account"). Towers will direct the investment of the Funds as provided Bank") in one or more interest bearing, special accounts (the "Funding

Funding Account:

Cellateral:

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Distribution of Units:

of the State of Nevact which, through certain of its wholly-owned subpany maintains its corporate headquarters at 417 Fifth Avenue. New and or servicing of Accounts Receivable for the past 15 years. The Comnciaries or affliates, has been engaged in various aspects of financing Towers is a publicly-traded corporation, organized pursuant to the laws the Funding Account (see "Compensation to Towers"). audit at the offices of the Company. Towers has the right at any time to receive payment of the Excess Profits Amount (as defined herein) from

Cork. New York 10016, selephone number (212) 656-0505 (see "The

records relating to the Funding Actions are available for inspection and

Towers has been engaged in several offerings of securities in the past, including an offering for \$56,500,000 of bonds issued on July 19, 1990 which received an "AA" rating by Duff & Phelps. Such bonds were isto acquire Accounts Receivables. Investors should note that the terms sued by a special purpose subsidiary of Towers which is using the funds Company)

case no commissions will be paid; or (2) through broker-dealers regisof this Offering differ substantially from the above described offerings faid upon acceptance by Towers of a fully executed subscription from a Sale and Acceptance of a 24-month Unit) and 4% for the sale of Promissory Notes (an additional 5% per Unit will be paid one year from case the following commissions will be paid: 5% for the sale of 24 month tered with the National Association of Securities Dealers, Inc., in which sell the Units to Accredited Investors only either (i) directly, in which Towers is self-underwriting the offering of the Units and will offer and Bucano stand subjections and plan Beata topus paredocular los on any pure numble Investor (see "Plan of Distribution"). There is no minimana rember of Units which must be sold prior to investment of the Funds by 2-month Unit) (see "Plan of Distribution"). Commissions will only be 2-month Promissory Notes (payable upon Sale and Acceptance of a

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RISK FACTORS

carefully consider the risk factors relating to the proposed business of Towers, including, but not limited to restrictions on the right of an Investor to sell or otherwise transfer his Units. Prospective Investor should ment. There will be no public market for the Units, and Federal and state securities have impose substantial those certain risk factors discussed below, and should consult their own legal. Financial and business advisers Therefore, purchase of the Units is suitable only for those persons who an afford to lose their thire invest-Acquisition of the Promissory Notes is speculative and subject to numerous and substantial risks

HAUSTIVE LIST OF THE RISKS RELATING TO AN ENVESTMENT IN THE UNITS. THE RUSK FACTORS SET FORTH IN THIS SECTION ARE NOT INTENDED TO BE AN EX

- Company and the Company's ability to service the program set forth herein (see "The Company"). management (including the officers, directors and employees of its subsidiaries and affiliated companies) to and retain necessary replacement personnel could substantially and adversely affect the business of the provide function and credit services as set forth herein. The loss of key personnel or an inability to attact 1. Dependence on Management. The Company's success is substantially dependent upon the ability of
- he should desire to do so (see "Description of the ?tocustory Notes" and "Terms of the Invented Nation more, there is not currently (nor will there be) a public marker for the Units. Accordingly, there can be so (the "Federal Securities Act"), and regulations promulgated thereunder, the Units will not be registered under the Federal Securities Act, and investors will have no right to require registration therest. Furtherpurchases for investment purposes only and not with a view to, or for resale in connection with any distributions on Transfer") assurance that an investor will be able to liquidate his investment quickly of on acceptable terms. If at all, if tion. In reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933, as amended Severity Limited Liquidity of Unite Absence of Public Merker. The Units must be sequently each
- offered and sold, in reliance upon certain claimed exemptions therefrom. The claimed exemption from Securities Act or, in most cases, the securities have of the jurisdictions in which they are proposed to be to the Company of such exemptions, the Company could have a material adverse effect upon its financial with. In addition, exemptions from registration under state securities laws frequently depend upon the Federal registration is complex, and it is often difficult to determine that its terms have been fully complied Concluon. and/or the legal expense of defending the Company in any action or proceeding challenging the availability availability of exemption from Federal registration. If for any reason the Company is subject to end liability 3. Availability of Europhors from Registerian. The Units have not been tegistered under the Federal
- obligations of Towers to make payments of principal or interest on the Promissory Notes, then Towers will be liable upon the Promissory Notes to the extent of its consolidated assets. In the event such assets are sory Notes are collateralized by Account Recentable. In the event the collateral is insufficient to saisty the lose his or her investment, in part or in whole. Towers, however, has represented that the Promissory Notes insufficient to cover the payment of principal and/or interest on such Promissory Notes, an investor could proceeds raised in this offering. will at all times be secured by Accounts Receivable with a face amount of at least 100% of the amount of 4. Towers' Ability to Make Payments of Principal and for Insect Upon the Promisery Notes. The Promis
- discounts and upon the terms rated herein, so that the Company may earn a return sufficient to pay interest and principal on the Promissory Notes. The Company's ability to retinvest the funds a sufficient number of business will depend in part upon its ability to purchase Accounts Receivable of sufficient quality at the the principal and interest on the Promissory Notes. times during the year is the factor which will determine Towers' profitability and its ultimate ability to pay 5. Ability to Purchase Qualified Accounts Receivable. The success or failure of the Company's proposed
- specific creditors whose accounts receivable will be purchased. Accordingly, Investors will not have the ophave been identified. Towers has not yet selected the specific Accounts Receivable to be purchased or the 6. No Opportunity to Evaluate Colleteral. Although the criteria for acquiring the Account Receivable

upon the entern set forth herein to select the Actionnis Receivable and to making and operate Towers' particular debion with respect to the Accounts Receivable, but must rely upon the ability of Towers based postunity to evaluate the investment of the proceeds of this offering or the ment of mediaconhiness of any

DESCRIPTION OF THE PROMISSORY NOTES

Receivables") consisting of 1,000 Units at \$100,000 each, is offered hereby to Accretized Investors only. Deposit Insurance Corporation ("FDIC") and/or Resolution Trust Company ("RTC") or from secondary sources which have purchased loan or receivable packages from the FDIC or RTC (the "FDIC and RTC Notes bearing interest at the rate of 13% and 15% per annum, respectively, with interest payable either nies (the "Business Accounts Roceivable"); and/or (iii) receivables and lears purchased from the Federal ables"); (ii) Business Account Receivable purchased from manufacturers, wholesalers and service compapurchased from hospitals doctors, medical groups and other healthcare providers (the "Stealthcare Receivmonthly or quarterly at the option of the investor, collateralized by: (i) Healthcare Accounts Receivable An aggregate of one hundred million dollars (\$100,000,000) of 12-month and 24-month Promissory

terms of this offering shall continue to apply to the Promissory Notes and the holders thereof until such time of such reinvestment. If upon maturity, the Promissory Notes are not redeemed for any reason, the time. Such reinvestment is subject to Towers' discretion and upon the laws and regulations in effect at the Notes may be remyested at the option of the Investors at the rates of interest as announced by Towers at that Upon maturity, and striper to Federal and state laws and regulations, the proceeds of the Promissory

TERMS OF THE INVESTMENT

There is no minimum number of Units which must be subscribed prior to Investment of Funds. sole discretion of Towers. The Offering will remainate on the earlier of the date all Units have been sold or January 31, 1991 subject to emersion at the discretion of the Company (the "Offering Termination Date"). Recommended minimum subscription is one Unit; however, fractional Unit may be accepted at the

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D promulgated under the Securities Act of 1933, as amended (the "Act") which reads as follows: This Officing is being made only to Act edited Investors (as defined in Section 501(a)(1)) of Regulation

"Accredited Imerio" shall mean any person who comes within any of the following entegories, or who the issues reasonably believes comes within any of the following entegories, or who the issues reasonably believes comes within any of the following entegories, at the time of the sale of the פכבתוחותכא ום הלחנ להנצפעה

- 3 Any Bank as defined in Section 3(a)(2) of the Act, or any savings and lean association or other pany, or registered investment adviser, or if the employee benefit plan has total axets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are in Section 3(21) of such Act, which is either a bank, savings and loan association insurance comany plan established and maintained by a state, its political subdivisions or any agency or instru-mentality of a state or its political subdivisions for the benefit of its employees, if such plan has total ment Income Security Act of 1974 if the investment decision is made by a plan liduciary, as defined Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, in Section 2(a)(48) of that Act: Small Business Investment Company licensed by the U.S. Small tered under the Errestment Company Act of 1940 or a business development empany as defined 1934; any insurance company as defined in Section 2(13) of the Act any investment company regis capacity any broker or dealer registered pursuant to Section 15 of the Sectioned Exchange Act of usculution as defined in Section 3(a)(5)(A) of the Act whether acting in its incividual or fiduciary assess in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirewith investment decisions made solely by persons that are
- Ð Any private business development company as defined in Section 102(1)(11) of the investment Acres As of 1940,

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- (3) Any organization described in Section 501(c)(1) of the Internal Revenue Code, corporation, Massathe securities offered, with total assets in excess of \$5,000,000; chasetts or similar business trust, or partnership, not formed for the specific purpose of acquiring
- \mathfrak{E} sold, or any director, executive offices, or general partner of a general partner of that issues Any director, executive officers, or general partner of the issues of the securities being offered or
- 3 Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase extents \$1,000,000;
- and has a reasonable expectation of reaching the same income level in the current year, Any natural person who had an individual income in caress of \$200,000 in each of the two repsi recent years or joint income with that person's spouse in excess of \$300,000 in each of those years

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- Э Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securites offered, whose purchase is directed by a sophisticated person as described in Section
- Any entity in which all of the equity owners are accordited investors.

offering has not, as of the date hereof, been registered with any state and may only be offered in states which afford an exemption similar to the Federal exemption and/or provide a special exemption for Acceptice or Institutional Investors. In addition, it should be noted that this Offering is being made pursuant to an exemption which requires that so specific information be furnished This Offering has not been registered with the Securities and Embange Commission. Further, this

Subscription Procedures

\$100,000 per Unit acquired In order to subscribe for a Unit, each prospective investor mast complete, execute, acknowledge and

*Carp Cance

return the Subscription Document, including the Investor's check to the prospective Investor. ity. Towers has the absolute right at its sole discretion, to reject, in whole or in part, any subscription that is tendered or to wave any defect in any Subscription Documents. If Towers rejects a subscription, it will Towers will review the Subscription Documents for completeness, due execution and investor suitabil-

Account and Towers will forward an executed Promissory Note in the form set forth in Embit II to the investor. Interest on the Promissory Note shall access from the date of Acceptance. The Company shall accept subscriptions from only Accedited Investors. U lowers accepts a subscription ("Acceptance"), subscription funds will be deposited in the Funding

Restrictions on Transfer

"Federal Securities Act"), nor pursuant to the provisions of the securities laws of any jurisdiction, and the Units are being offered, and will be sold, without benefit of reparation under federal and state securities by reason of specific exemptions from registration provided thereby The Units offered hereby have not been regimered under the Securities Act of 1933, as attended (the

prospective Investor, and an exemption from registration would be unavailable if any one purchaser were certain representations and warranties to Towers. for his own sole account, and without any view towards the sale or other disposition thereof and to make purchasing a Unit with a view to the redistribution thereof. Accordingly, each prospective Investor when executing the Subscription Agreement will be required to acknowledge that the purchase is for investment. The availability of each such exemption is dependent in part upon the "investment intent" of each

Federal Securities Act or any state securities law and Towers will not regater the Units in the future (see Investors have not been granted the right to require the registration of their Units under either the

sions of the Federal Seminim Act and state semintes laws. If an Investor wishes to dispose of his Units, such disposition is circumsambed by the terms of the provi

USE OF PROCEEDS

all other expenses of the offering, its casts of operations (including salaries and overhead). The Company will be entitled to direct the payment of the Excess Profits Amount to itself at its discretion. 12-month Promissory Notes (payable upon Sale and Acceptance of 12-month Units). The Company will pay tional 5% per Unit will be paid one year from Sale and Acceptance of 24-month Units) and 4% for the sale of the Promissory Notes and to pay the commissions of 5% for the sale of 24-month Promissory Notes (an addi-The proceeds of the offering will be used to purchase the Accounts Receivable which will collateralize

PUNDING ACCOUNT

Towers has arranged with the Bank. Any fees relating to the Funding Account will be paid by Towers document. The proceeds of the Accounts Receivable will be deposited pursuant to a lockbox system which of the Funds in Accounts Receivable or make such other disbursements of the Funds as provided in this such Accounts Receivable are collected. Once the Funds are deposited. Towers may direct the investment Manhattan Bank, N.A. (the "Bank") for the purpose of depositing (i) the proceeds of the offering as funds are received and accepted from Investors (the "Funds"); and (ii) the proceeds of Accounts Receivable as Towers reserves the right to utilize other major mone/ center banks at its discretion. A special interest bearing account (the "Funding Account") has been established by Towers at Chase

PROPOSED ACTIVITIES

has identified substantial markets for the acquisition of suitable Accounts Receivable. Additionally, Accounts Receivable may be acquired from affiliates or subsidiaries of Towers (see "Conflicts of Interest"). RTC. Presently, Towers through its main New York City headquarters and its regional and branch offices. purchased from the FDIC and RTC or from secondary sources which have purchased from the FDIC and Towers will use the Funds to acquire Healtheare and Business Accounts Receivable and receivables

crivable resulting in a minimum discount or factoring for of 5% for each Account Recrirable collected beautheare provider or business entity in accordance with the terms of this Offering. pects to reinvest the collected funds in Accounts Receivable and compound the factoring fee up to six times counts Receivable resulting in the compounding of the factoring fee with each new purchase. a year; which is expected to provide sufficient funds for the payment of interest to the promissory notehol-Upon collection of each Account Receivable, the proceeds of collection will be reinvested in additional Ac-Towers typically purchases Accounts Receivable for up to 95% of the face amount of the Account Re-Towers may reinvest in the same healtheare provider or business entity or reinvest in a new or different

Accounts Receivable as Collateral and Security

portion of the stated value of Healthcare Receivables prior to collection, the unpaid balance of the purchase able. Such collateral will consist of Accounts Receivable with a face amount equal to or in excess of the price of the Healtheare Receivables provides additional collateral. Promissory Notes. In the case of Healthcare Accounts Receivable, since Towers generally only advances a Commercial Code financing statement filings to be made against Towers relating to the Accounts Receiv-The Accounts Receivable will be security and collateral for the Promissory Notes pursuant to Uniform

value of the Promissory Notes to the extent of its consolidated assets. Further, the Promissory Notes are the recourse obligations of Towers and Towers is liable for the stated

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duce internal staffing; and (iii) use of sophisticated data processing equipment owned by Towers. sons to ensure prompt payment and reduce incornect third party provider deductions (ii) the ability to reis entitled. For qualified healthcare providers, Towers provides (i) a thorough examination of claims submisinsurance operations and accordingly, cath flows are disrupted by the delay between the filing for payment of dentits and other healthcare professionals or groups do not efficiently manage their billing collection and bealthoure groups is extremely complex, time consuming and labor intensive. Typically, hospitals, doctors, The healthcare inclusity in the United States has grown rapidly over recent years and is especial to continue to grow reflecting age and population trench. Billings, collection and insurance compliance for federal governmental agences and collect a greater portion of the funds to which such healthcare provider funds and the receipt of such funds. The Towers Healthcare Accounts Receivable funding program allows healtheare providers to bridge the time delays brought on by slow-paying insurance companies and state!

to their financial sability and liquidity. Accordingly, the ability of healthcare providers to sell or factor their accounts receivable is paramount

Description of Healthcare Accounts Receivable

panies: Blue Cross/Blue Shield: ومودستادها وتقويسات بدالرويان موتدورة دعيه وديميانية بونيانية بالرويان ويساود المالية والمرادون المالية والمالية والمرادون المالية والمرادون المالية والمرادون المالية والمرادون المالية والمالية و Generally, Healthcare Accounts Receivable are payable by the following: commercial insurance com-

The commercial insurance energory covers the Healthears Receivables for which payment will be received from either (i) a commercial insurance company or administrative services only concast ("ASO's'); or (ii) a Preferred Provider Organization ("PPO"). The commercial insurance company generally retin**c**ucables burses the Healthoute Provider for the Healthoure Provider's charges less any co-payment portion or de

inted rates or (iii) the Healthcare Provider's cast of service prised of a series of state or multistate organizations which operate as individual entities. As a result, no exived from "Blue Cross/Blue Shield " entities. While Blue Cross/Blue Shield is a national entity, it is con-Provider may receive reimbursement for (i) the Healthcare Provider's standard fees and charges (ii) a nego-Healtheart Provider has its own arrangement with Blue Cross-Blue Shield whereby the Healtheart general" reimbursement method exists for the Healthcur-Receivables that fall into this category. The Blue Cross/Blue Shield energory covers all Healtheare Receivables for which payment will be re-

ceived from either the federal government ("Medicare"), the state governments ("Medicaid") or other governmental entities (e.g. CHAMPUS). The receivables are paid at either a prodetermined rate per diagnosis or a rate based on a formula associated with the cost of care. Medicare pays the average cost for each type of are taw requires Healthaire Providers to accept Mediaire payment as payment in full, and prohibits coinsurance amounts. Healthoure Providers on charge Medicare Patients for any "non-covered" items or illness or injury. These various illness entegories are called "Diagnosis Related Groups" or "DRGs." Medi-Healthears Providers from charging Medicars patients for anything other than the usual deducable and The government program entegory, includes healtheire accounts receivable for which payment is to

The self-pay category consists of accounts receivable for which payment will be received from either the individual patient or an individual guarantor on the patient's account.

proprietorships, municipalities, government agencies and nonprefit organizations for the purpose of acquiring capital equipment, the purpose of acquiring capital equipment, in constitution and in a capital equipment, or format, office equipment, injection molding machines and optical equipment. The Officer leases in a wide range of amounts and prices itself on officing individualized attention to all extensioners, both large and small. Upon receipt of all applications and credit information, credit decisions are generally made within 48 hours. In addition to offering standardized financing and operating leasing programs. Towers may offer specialized programs that are designed to meet the particular needs of individual customers.

Towers and its affiliates provide accounts receivable, credit and collection assistance to over 10,000 corporate elients and/or healthcare groups within the United States, including a large number of Fortune 1000 companies. Towers and its affiliates are servicing approximately \$273,000,000 in outstanding debt for over \$50,000 accounts. On a contractual basis, Towers and its affiliates handle past due accounts receivable and utilize their inhouse legal department to effectuate collection activity. All accounts are managed by Towers staff attorneys. This professional approach minimizes loss of goodwill between the client and its debtor and activerates the process of collection personnel, including a staff of inhouse attorneys, paralegals, a staff of approachmately 400 full time collection personnel, including a staff of inhouse attorneys, paralegals, collectors, credit personnel, insurance adjusters and insurance regulatory administrators.

The senior officers, directors and acrisory board members of Towers are set forth below.

William D. Fugazy	Jay Fischer	Ben Barnes	Thomas B. Evans, Jr.	Xavier Eboli	Raymond Lewis		Richard M. Levine	Anthony DiNicholas		Michael Rosoff		Charles H. Chugerman		Núchell Brater		Sieven Hollenberg	Name
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Achisory Board Member	Acrosony Board Member	Advisory Board Member	Advisory Board Member	Director and Vice President	Director and Vice President	Chief Francial Officer	Vice President and	Senior Vice President	Chief Legal Officer	Director, Senior Vice President and	Secretary	Director, Executive Vice President and	Opening Officer	Vice Chairman of the Beard and Chief	Chef Erecuive Officer	Chairman of the Board, President and	Pasitioa

Set forth below are the backgrounds of the senior officers, directors and advisory beard members of wers.

Mr. Steven Hoffenbers, has been Chairman of the Board and Chief Executive Officer of Towers since its inception. Mr. Hoffenbers has also been Chairman of the Board and Chief Executive Officer of each of the subsidiaries of Towers since they were formed.

Wr. Mitchell Brater, is a director and Vice Chairman of the Board and Chief Operating Officer of Towers. Mr. Brater graduated from Long Island University in 1963 with a B.S. degree in Accounting.
Mr. Charler H. Chapermon, is a director and Executive Vice President of Towers. Mr. Chapernam

graduated from Bernard M. Baruch College with a B.B.A. degree in Business Administration.

Mr. Michael Rosoff, has been a Vice President and director of certain other subsidiaries of Towers since 1984. From 1980 to 1983, Mr. Rosoff was an Associate Attorney with the law furm of Meliter. Lippe & Coldstein, P.C., which is located in Minetola, New York. Mr. Rosoff received his bachelors degree in eco-

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nomics from New York University in 1975 and graduated with a J.D. degree from Hofstra University Law School in 1976.

Mr. Anthony DiNizholes, is Senior Vice President of Towers. Mr. DiNicholas received a B.S. from Resp. gers University in 1974. Prior to joining Towers in September 1989; Mr. DiNicholas was affiliated with the following major investment banking firms: Security Pacific (1987-1989); Smith Barney (1986-1987); and Union Planters (1985-1986).

Mr. Richard M. Levine is Vice President and Chief Financial Officer of Towers. From 1968 to 1986, Mr. Levine was Treasurer of Lincoln Center for the Performing Arts, and maintained a private accounting practice. Nor. Levine graduated from Baruch College of the City University of New York with a B.S. in Business Administration. He is a Certified Public Accountant.

Mr. Raymond Levis, is a director and Vice President of Towers. For 33 years ending in 1979, Mr. Lewis served as the Chief Executive Officer and Executive Vice President of United Credit Corporation, an asserbased lending institution which is located in New York. Mr. Lewis graduated from St. John's University in 1940 with a B.A. degree in Business Administration.

Mr. Xavior Eboli, is a director and Vice President of Towers. Mr Eboli is also President of Towers Coli ion Service, Inc.

Mr. Thomas B. Event, h. is an advisory board member of Towers. Mr. Evans is President of the Evans Group, Lud., located in Washington, D.C. Mr. Evans is a former co-chairman of the Republic Mational Committee and a former senior receiber of the United States House of Representatives (United States Congress).

Mr. Ben Bener, is an arrisony board member. Mr. Banner is President of Entrecorp of Austin, Texas and he was formerly chief operating officer of Barnes, Connoily Development Corporation. Mr. Barnes was formerly L. Governot of the State of Texas and the Speaker of the House of Representatives of the State of Texas.

Mr. In Fischer, is an advisory board member. Mr. Fisher is an attorney and partner at the New York City based law firm of Proclause Rose Geen & Mendelsohn.

Mr. William D. Fugary, is an advisory board member. Mr. Fugary is chairman of the board of Fugary international and was former president of Diners Club International.

Towers has recently closed upon its Promissory Note offering dated February 20, 1950 whereupon it raised \$50,000,000. A special purpose subsidiary of Towers closed upon a \$56,500,000 bond offering in July of 1990 which was rated "AA" by Duff & Phelps and offered to intritutional investors only. The proceeds of the bond offering are being used to acquire Healtheire Accounts Receivable. Investors should note that the terms of this offering differ substantially from the above-described offering and no rating will be sought for this offering.

CONTLICTS OF INTEREST

Towers is acquiring Accounts Receivable for its own account and for the account of others and accordingly may have a conflict of interest in the purchasing and administering of Accounts Receivable. Various affiliates of Towers may be involved in acquiring, servicing, collecting or selling Accounts Receivable to Towers. Towers has represented that it will not cause an affiliate to charge any more for its services than it would charge a third parry.

Further, Towers is sponsoring either directly or through affiliates, other accounts receivable programs. Accordingly, there may be a conflict as to the acquisition of accounts receivable and the servicing thereof.

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ADDITIONAL INFORMATION

or available at the Company's offices for review. Such information includes the following Investors or their professional advisers will be provided with the opportunity to request additional information from Towers, which to the extent reasonably available, will either be furnished to such investors

- Certificate of Incorporation of Towers:
- Opinion of Counsel as to the legality of the securities; and
- Receivables Purchase Contract.

PLAN OF DISTRIBUTION

The Company is self-underwriting this offering of Promissory Notes on a best-efforts basis either (1) directly in which the no commissions will be paid or (2) through broker-dealers registered with the National Association of Securities Dealers. Inc. in which the commissions of 5% will be paid for the sale of 34-month. Promissory Notes (an additional 5% per Unit will be paid one year from Sale and Acceptance of 14-month Units) and 4% for the sale of 12-month Promissory Notes (payable upon Sale and Acceptance of 12-month Units) and 4% for the sale of 12-month Promissory Notes (payable upon Sale and Acceptance of 12-month Uaus).

LECYT WYLLESS

No offering literature or advertising in any form shall be employed in the offering of these Units except for this document and the exhibits hereto. No person has been authorized to make representations other than those contained in this document or the exhibits hereto and if made, such representation must not be relified upon. counsel for the Company for the preparation of this document. Gibney, Anthony & Flaherry, 663 Fifth Avenue, New York, New York 10022, was retained as special PROMOTIONAL AND SALES LITERATURE

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investment, and forego the interest payment due under the offerings in exchange for money market interest, which resession offer was completed on January 22, 1989, whereby \$445,000 out of approximately \$37,000,000 was accepted for resession. Steven Hoffenberg and Mitchell Brater were named in this literait violated Section 5 in the part has agreed not to violate Section 5 in the future. In addition, Towers protion and have also entered into similar consent decrees. amended. The parties entered into a consent decree on November 12, 1988. Towers, without admitting that dudes the other named parties to the litigation) for the sale of margintered securities on August 4, 1988. The Commission alleged that the parties violated Sections 5(a) and 5(c) of the Securities Act of 1933, as The Securities and Exchange Commission commenced a Civil action against Towers captioned Securities and Exchange Commission v. Towers Credit Corporation, et al., (for purposes of this paragraph, "Towers" invided investors in TCC's two prior note offerings the appartunity to series or decline resession of their

sell securities in Alabama in violation of the Alabama Securities Act. above described federal claims. The Alabama consent order provides that Towers and its affiliates shall not Towers is also subject to a consent order in the State of Alabama arising out of the same issues as the

ŝ to remedy the denial, which includes the payment of a fine and an offering of rescission to New Jersey inves-Corporation relating to its 1988 private offering of promissory notes due to the failure to file within 30 days of completion of offering. Towers is currently in the process of complying with requirements of New Jersey In addition, the State of New Jersey has issued an Order of Denial of exemption against Towers Credit

Furthermore, on June 11, 1990 Towers and Towers Credit Corporation entered into a Consent Order with the State of Nebrasia and paid a fine with regard to the sale to three investors in the 1988 program. This Order was the result of Towers' previous counsel's failure to follow through on its responsibilities to make the proper state filings for the 1988 offering which such firm prepared and for which it made the necessary pre-blue sky filings.

Towers and a subsidiary of Towers has instituted literation against the previous councils of United Towers and a subsidiary of Towers has instituted literation against the previous councils.

Towers and a subsidiary of Towers has instituted fitigation against the previous owners of United Diversified Corporation ("UDC") from whom it purchased 82% of UDC. Towers in this action is claiming rescission and damages, including a return of \$7,500,000 it invested in UDC. In a separate action, due to the previous owners' failure to disclose material financial information, including misappropriation of \$3,500,000 of UDC funds. Towers has blocked the former owners' access to the \$3,500,000 pending the resolution of Towers' claims.

Towers is involved in various other tawaids which Towers represents are either in the normal course of its business or are non-material either individually or collectively.

GLOSSARY

"Act" means the Securities Act of 1935, as amended

"Account Receivehe" means Healtheare and Business Accounts Receivable of various third party compasites which meet Towers' Citeria for purchasing and the RTC and FDIC loans and receivables.

"Accounts Receivelie Management" means the management of the recovery and collection of Accounts Reestimable.

"Bank" means Chase Manharan Bank, N.A.

"Buriness Account Resirche" means accounts receivable of third party business companies

"Exect Profit Answer" means an amount equal to the amount by which (a)() the face value of the Accounts Receivable plus (ii) the Funds on deposit in the Funding Account excepts (b)(i) the face anount of all issued Promissory Notes plus (ii) all accrued and unpaid interest due on such Promissory Notes.

"Fedoral Securities Act" means the Securities Act of 1933, as amended.

*FDIC" mean the Federal Deposit Insurance Corporation.

"Funding Account" means the interest-bearing account in which the Funds are deposited

"Funds" means the monies received from Accordited Investors and the proceeds of the Accounts Receivable.

"Healtheure Provider" meurs a hospitul, doctor, medicul group, heulth maintenance organization, tehabilitation center and other heultheure providers.

"Healthear Account Receivable" means accounts receivable from groups in the health-care industry

"Investor" means any holder of a Phomisson, Note who is an Accredited Investor.

"Notes" means the 12-month and 24-month Promissory Notes.

"Offering Termination Dat" shall mean the earlier of the date all of the Units have been sold or January 31, 1991.

"Promissory Note" messs either a 12-month or 24-month promissory note issued by Towers to Accredited Investors pussuant to this Offering.

"RTC" means Resolution Trust Company.

"Security Agreement" means the agreement executed by Towers, the form of which is attached hereto as Exhabit (II.

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- "Stared Value" means the agreed upon purchase price for the Account Receivable which is generally the face value of such Account Receivable.
- "Subscription Agreement" means the subscription agreement attached hereto as Exhibit I(B)
- *"Subscription Documents"* means the Subscription Agreement the Investor Questionnaire and the Investor's check
- "TCC" means Towers Credit Carporation, a wholly-owned subsidiary of Towers
- "TCS" means Towers Collection Service. Inc. a wholly-owned subsidiary of Towers.
- "TLC" means Towers Leasing Corporation, a wholly-owned subsidiary of Towers.
- "Towers" means Towers Financial Corporation, a Nevada corporation which is publicly traded
- "Unit" means a Promissory Note for \$100,000.

INSTRUCTIONS TO SUBSCRIBERS

מוכטיוכניסוני. Accompanying the Offering Document, you will find (i) the Subscription Agreement with signature page in duplicate and (ii) Investor Questionnaits which you must complete in accordance with the following

L Investor Questionstairs.

Please read, complete and sign the Investor Questionnaire.

2. Subscription Agreement

(a) Please read, complete the Subscription Agreement and sign two capies of the signature page:

the signature pages. (b) Have your signature nother zed by a nothry public on the acknowledgment forms accompanying

DO NOT SIGN THE SUBSCRIPTION AGREEMENT UNLESS YOU ARE CERTAIN YOU CAN MAKE ALL THE REPRESENTATIONS CONTAINED IN THE AGREEMENT.

Purchase Representative Questionneire.

must be completed and which is available upon request If you used the services of a "purchaser representative," the purchaser representative questionnair.

4. Paymers.

The subscription price is to be gaid by check in the amount of \$100,000 per Unit made payable to the order of "Towers Financial Corporation, Funding Account."

5. Special Instructions for Trustees and Agents.

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catify for whom he is acting as trustee or agent completed Subscription Agreement (i) a copy of the crust agreement, power of attorney or other instrument granting the power and authority to subscribe, or (ii) an opinion of counsel as to such power and authority. In eddition, such persons must indicate on the completed Subscription Agreement the name of the person or Trustees, agents or other persons acting in a representative capacity are required to furnish with the

Acceptance of Subscription.

- (a) Recaipt of your subscription will be promptly acknowledged by the Company
- (b) Deliver completed Subscription Documents and payment for the Units to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016. If your subscription is accepted, you will receive shortly thereafter (a) one capy of the Subscription Agreement coccuted by an officer of the Company and (b) original Promissory Note executed by the Company in the amount subscribed.

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TOWERS FINANCIAL CORPORATION

INVESTOR QUESTIONNAIRE CONFIDENTIAL

Private Offering of \$100,000,000 of Recourse Promissory Notes of \$100,000 each

promulgated under the Securities Act of 1933, as amended (the "1933 Act"). The offering of secured recourse non-negotiable promissory notes (the "Promissory Notes") issued by Towers Financial Corporation, a Nevada corporation (the "Company"), as more fully descibed in the Offering Document, dated October 1, 1990, will be made to Accredited Investors only pursuant to Regulation D

For: Acaredited Investors Only

document will otherwise be kept confidential by the Company. You agree that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the offer and sale of Promissory Notes to you will not result in violation of the exemption from registration under the 1933 Act, described above, or any applicable state securities have however, thus The purpose of this questionnairs is to assist the Company in complying with the above requirements.

term "you" shall mean such corporation, partnership, trass or other eatity. If you are acting as agent for a corporation, partnership, trust or any other eatity, any reference to

Except as set forth herein, your inswers to this questionnaire will, at all times, be kept serielly confiden-

If the answer to any question is "None" or "Not Applicable," please so state

Please complete this questionnaire as fully as possible, and sign, date and deliver one copy thereof to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016.

PLEASE PRINT

Please provide the following information if you are investing as an individual. (If you are purchasing on behalf of a corporation, paramethip, trust, or any other entity, please complete part II below). In addition, please provide the same information for any joint tenant or tenant-in-common:

Citizenship (1)	Social Security No. (1)	Home Telephone Number (1) ()		Permanent Home Address (1)	Date of Birth (1)	Name (1)
(3)	<u>5</u>	a) ()	(Zip)	9	Marital Status (1)	2)
			(Zip)		2)	

(2) () the last five years (listing the last five years (listing the last in distance) and busin from: From: To:	Business Telephone Number (1)() Please describe your employment positions or occupations during the last five years (listing the inclusive dires of each) indicating any and all vocationally related experience in financial and business material or Occupation Nature of Prom: To: (1)	ne Number (!))(use employment po indicating any and sition	Business Telephone Number Please describe your employn sive dates of each) indicating a tera Employment, Position or Occupation (1)
	9	(E)	Business Address
	a)	(I)	General Duties
	9	(1)	Position(s)
	נים	(3)	Nature of Business
(if joint purchasee)	(2)	e (9)	Names of Employer

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Authorized Person to Contact (title)	Business Telephone Number ()	Business Address (Z-p)	Fiscal year	State and Year of Organization	Business Activities	Employer Identification No.	Name of corporation, partnership, trust or entry	D. Please complete the following if you are investing on behalf of a corporation, partnership, trust or other entity.	NOTE: ANY INDIVIDUALS REPRESENTED BY YOU MUST BE QUALIFIED AS "PURCIEAS". EAS" PURSUANT TO THE ACT AND SHOULD EACH COMPLETE A COPY OF THIS QUESTIONNAIRE.	(iii) Please attach evidence of authority.	•		(ii) Name, address and telephone number of persons you represent
--------------------------------------	-------------------------------	------------------------	-------------	--------------------------------	---------------------	-----------------------------	--	---	---	--	---	--	--

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 Did your individual adjusted gross income (increased by any deduction for long term capital gains or depletion, any exclusion for interest and any losses of a partnership as reported on Schedule E on Form 1. At this time, is your inclived that net worth (or joint net worth with your spouse) in extent of \$1,000,000?
Yes () No ()

For Individuals only.

Ņ

	With spouse \$300,000)?
Yes() No()	1040) from all sources for each of the two tamble years preceding this data exceed 120000 (or 4 jointly with spouse $5100,000$)?
	khalof J. Johns

Ļı If you have had income from all sources of \$100.000 (or if jointly with spouse \$500.000) for each of the past two tatable years, do you reasonably expect your income from all sources for the current tatable year to exceed \$200.000 (or if jointly with spouse \$500.000)?

Yes () No ()

For Corporations, Charitable Organizations and Parmarships Only.

If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment herein is directed by a sophisticated person as described in Section 250.506(b)(2)(ii) are your total assets in excess of \$5,000,000? For Truck Only: do you have total assets in extess of \$5,000,000? If you are a 101(c)(3) organization, corporation, Massachusetts or similar business trust or partnership. Ycs () No ()

% ()

For Barks, ERISA plans, SBICs, investment companies under the 1940 Act, etc.; Do you otherwise qualify as an accredited investor under the following definition:

tion as defined in Section 3(a)(S), A) of the Act whether acting in its individual or fiduciary capacity, any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration either a bank. Savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investemployee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if mainitured by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefits of its employees if such plan has total assets in excess of \$5,000,000; any ment decisions made solely by persons that are accredited investors. the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is under Section 301(c) or (d) of the Small Business investment Act of 1958; any plan established and Any Bank as defined in Section 1(a)(1) of the Act, or any savings and loan association or other institu-

Yes () No ()

Are you aware that the proposed offering of Promissory Notes requires your capital investment to be maintained for the term of your Promissory Note (12-months or 24-months, as the case may be)? For all larestors. Please complete the following questions and information requested:

Yes() No()

Please indicate the general, business or professional education and the degrees received by you (or, if the purchaser is a corporation, partnership, trust or other entity, by the person completing this questive purchaser is a corporation, partnership, trust or other entity, by the person completing this question

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(Signature of Tenant-in-Co	(Print Name Tenant-in-Co	(we) action and belia EV WITT	10. deterni deterni able you Docum	3					9. Investa		
Signature of Joint Tenant or Tenant in-Common, if applicable)	(Print Name of Joint Tenant or Tenant-in-Common, if applicable)	cnowledge that the foregoing, and that I (we) will prom	determining that space provided below determining that your knowledge and able you to evaluate the merits and ris Document of which this forms a part.	often (); occasionally (); septom ();	often (); occasionally	eften (); occasionally (); se	Frequency of investment in commodited futures: often (); occasionally (); seldom (); ne	often (); occasionally (); seldom (); nev	Investment Experience:		College
ß	(1)	I (we) acknowledge that the foregoing statements are true and acturate to the and belief, and that I (we) will promptly notify the Company of any change the WITNESS WHEREOF, I (we) have executed this questionnaire this	w, any additional information id experience in financial and risks of inverting in the securiti	often (); occasionally (); seldom (); never ().	Frequency of unvestment in securities purchased on margin: often (); occasionally (); seldom (); never ().	ncy of investment in options often (); never ().	ncy of investment in commodities futures: often (} occasionally (}; seldom (); never ().	often (); occasionally (); seldom (); never ().			Received
(Signature)	(Frui Name)	I (we) acknowledge that the foregoing statements are true and acturate to the best of my (out) informa- tion and belief, and that I (we) will prompily notify the Company of any changes in the foregoing answers. IN WITNESS WHEREOF, I (we) have executed this questionnaire thisdate of	Indicate in the space provided below, any additional information which you think may be helpful in determining that your knowledge and experience in financial and business matters is sufficient to enable you to evaluate the merits and risks of inverting in the securities offered pursuant to the Offering Document of which this forms a part.								Yes

Case 3:96-cv-01	L023-L-JFS	Document 3	50-1 Filed 06/2 of 344	2 3/0 0 PageID.2	2715 Page	
		NET WORTH	Automobiles: Other Assets	Market value of unlined Securities; Market value of real estate Residence: Other; Accounts Receivable:	Assets Cash value of life insurance policier. Market value of listed securities.	Pleaze also comple dase which should incl
		I confirm that the above balance sheet is true, correct and accurate.				ts and exercite the following b the on original signature of a
	o.	COLLECT PUT DESIGNATION OF LOCAL TOWNS OF LOCAL TOW	Automobile Leans Other Debis	Encumbrances on Real Estate Residence: Other: Accounts Payable: (include all amounts due to others, including credit cards, debut and other unsecured debuts)	Liabilities Marrin Arronner	wing beleves sied or supply a subs ur of a duly essibarized representa
10001876				144	•	Please also complete and active the following balance shed or supply a substitute balance sheet as of a curress date which should include an original signature of a duty estituarized representative. BALANCE SHEET
			1			
		·		Subsc		
				Subscription Agreement		
				.		
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To: Towers Firancial Corporation New York New York 10016 417 Fifth Avenue

TOWERS FINANCIAL CORPORATION SUBSCRIPTION AGREEMENT

1. Subscription.

FINANCIAL CORPORATION, a Nevada corporation (the "Company"), as more fully described in the offering document, dated October I. 1990 (the "Offering Document"), and Lagres to pay for the Promissory. Notes subscribed for by the in the manner which is described in Article "I" of this Subscription Agreement. those terras have in the Offering Document. Each of the capitalized terms which are used in this Subscription Agressiest shall have the same meaning as are set forth in Article "11" of this Subscription Agreement (the "Promissory Notes") issued by TOWERS I hereby subscribe to purchase the number of secured recourse non-negotiable promissory notes which

tion at the sale distration of the Company). (Am herewith tendering payment for the subscribed for Promissory Notes by regular, bank or cendified check payable to "Towers Fanancial Corporation, Funding Account" equal to \$100,000 per Promissory Note (or such fraction thereof that is permitted by the Company). The purchase price for each Promissory Mose (the "Subscription Prize") is \$100,000 (subject to reduc-Purchase Price.

I understand that the offering will terminate on or before familiary II, 1991 (subject to extension at the discretion of the Company). If my subscription is not accepted, all finds paid by me will be returned whereupon the extess funds tendered by me will be promptly returned. and absolute discretion of the Company, less than the full amount subscribed for by ne may be accepted. forthwith return the Officing Document and all other subscription documents to the Company. In the sole promptly to me without interest and without deduction of escrow casts. Upon receipt of such funds [will

also understand and agree that my subscription to purchase Promusory Notes shall not be deemed binding upon the Company until the funds paid by me herewith are submitted to the Company, deat and are credited to the Funding Account It is understood that this subscription is not building unless and until it is accepted by the Company. I

Representations and Warranties of the Undersigned.

or by any person acting on behalf of the Company, with respect to the sale of the Promissory Notes and/or ten or oral, other than that contained in the Offering Document the investment made thereby, and that I have not relied upon any information concerning the offering, write ing Document no representations or wastanties have been made to me or to my advisors by the Company, including all attachments and exhibits thereto. I further acknowledge that except as set forth in the Offer-I acknowledge that I have received, read understand and an familiar with the Officing Document

Questionnaire relating to my teneral ability to bear the risks of the investment being made hereby and my suitability as an investor, and I hereby affirm the correctness of my answers in such questionnaire. I further actnowledge that I have received, completed and returned to the Company, the Purchases

ates, as follows: I further represent and warrant to the Company, Counsel to the Company, and their respective Affili-

have sufficient liquid assets to pay the full purchase price for each Promissory Note in the manner contemplaced by the Offering Document; (ii) have adequate means of providing for my current needs and (a) I can bear the ecanomic risk of this investment and can afford a complete loss thereof; and I (i)

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defined in Regulation D which was promulgated under the 1933 Act as follows: tor Questionnairs delivered simultaneously herewith: and (iv) quality as an "Accredited Investor" sory Notes: (iii) have a net worth presently of at least an amount undicated by me in Part III of my lavespossible personal contingencies, and have no present need for liquidity of my investment in the Promis-

- 3 Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other in Section 3(21) of such Act, which is either a back, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of ment Income Security Act of 1974 if the investment decision is made by a plan liducity, as defined assets in excess of \$5,000,000; employed benefit plan within the meaning of the Employed Resire. mentality of a state or its political subdivisions for the besefit of its employees, if such plan has total any plan established and maintained by a state, its political subdivisions, or any agency or instrucapacity, any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of Business كلائمانيات المحاودة عددانه، ١٩٤٤) و (4) ولا أول الما المحافظة المحافظة المحافظة المحافظة المحافظة الم in Section 2(a)(48) of that Act: Small Business Investment Company licensed by the U.S. Small tered under the Investment Company Act of 1940 or a business development company as defined 1934; any instrance company as defined in Section 2(13) of the Act; any investment company regisinstitution as defined in Section J(a)/S(A) of the Act whether acting in its individual or G\$5.000.000 or, if a self-directed plant with investment decisions made solely by persons that are
- Any private business development employ as defined in Section 202(4)(22) of the Investment אביזנכים ארו פו 1940;
- Any organization described in Section 301(c)(3) of the Internal Revenue Code, corporation, Masing the securities offered with total assets in excess of \$5,000,000; אוכא שה היה אות של היה להתוכים וניתור סו לאתמה במים". אסו (סנים ככן לסו נוף בל הכקוני לוהלספה סן אכלוה:

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- Any director, executive officer, or general paramet of the issuer of the securities being offered or sole, or any director, executive officer, or general parener of a general parener of that issuest
- Any natural person whose individual art worth, or joint art worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;

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- 3 Any natural person who had an individual income in excess of \$200,000 in each of the two most and has a reasonable expectation of reaching the same income level in the current year. recent years or joint income with that person's spouse in excess of \$200,000 in each of those years
- Э Any trust, with total assets in excess of \$5,000,000, por formed for the specific purpose of sequiring the securities offered, whose purchase is directed by a sophisticated person as described in Section
- Any entity in which all of the equity owners are accredited investors

- and experience in business and financial matters to evaluate the information set forth in the Offering other persons with whom I have found it necessary or advisable to consult, have sufficient knowledge all tax (mancal, recording and secunites law aspects thereof. I, my counsel, my advisors, and such Notes, and such representation has included an examination of applicable documents and an analysis of sonally selected by me, as I found necessary to consult concerning the purchase of the Fromissory Document, and the risks of the investment, and to make an informed investment decision with respect (b) I have been represented by such legal and tax counsel and others, each of whom has been per-
- personal tax services, and upon my own knowledge with respect thereto (c) With respect to the tax aspects of my investment, I am relying solely upon the advice of my own
- the date hereof. I have had the opportunity to ask questions of, and to receive answers from, the Com-(d) Any and all information has been made available to me, my counsel and my advisors, prior to

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- of the 1933 Ac., Regulation D promulpated thereunder and the laws of such jurisdictions. I am fully sale, transferability and usignment of the Promissory Notes, as more fully set forth in the Officing aware that the Promissory Notes subscribed for by me are to be sold to me in reliance apon such exempapplicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) amended (the "1913 Act."), nor pursuant to the provisions of the securities or other laws of any other Notes earnor be offered or sold unless the offering is subsequently registered under the 1933 Act or an time because the offering has not been registered under the 1913 Act and, therefore, the Fromissory Document, and that I must bear the economic risk of my investment herein for an incefinite period of tions based upon my representations, warranties and agreements. I am fully aware of the restrictions on exemption from such represention is available. (e) I understand that the offering has not been repistered under the Securities Act of 1933,
- others and for investment purposes only and not with a view to or for the transfer, assignment resale or ing Document. I am making the investment hereunder for my own account and not for the account of essary action. I will not pledge, transfer or assign this Subscription Agreement or the Promissory Notes taking, agreement or arrangement. distribution therrof, in whole or in part. I have no present plans to enter into any such contract, underwhich I acquire pursuant to this offering without complying with the procedures set forth in the Offer-(f) My execution and delivery of this Subscription Agreement has been duly authorized by all nec-
- ment shall survive try death or disability, except as pursuant to the laws of the applicable jurisdiction. executed by me with respect to the purchase of a Promissory Note, and that this Subscription Agree-(g) I agree that I shall not cancel, terminate or revoke this Agreement or any other agreement
- nificant degree of risk and that there is no guarantee that I will realize any pain from my investment. (h) I am aware that the purchase of a Promissory Note is a speculative investment involving a sig-
- becoming a resident of any other state or jurisdiction prior to my purchase of the Promissory Note. (i) The address set forth below is my true and correct residence, and I have no present intention of
- purchase of the Promissory Note subscribed for herein. Each such representation and warranty shall vies, which are true and correct as of the date hereof and will be true and correct as of the date of my suche such purchase (i) I understand the meaning and legal consequences of the foregoing representations and warran-

from any and all exerages, losses, easts and expenses (including attorneys' fees and disbursements) which they, or any of them, may incur by reason of my failure, or alleged failure, to fulfill any of the terms and conditions of this subscription or by reason of my breach of any of my representations and warranties concombinities of the subscription of the subscri I hereby agree to indemnify and hold harmless the Company, Counsel, and their Affliated persons

Blue Sky Representations.

- dence which appears in Article "10" of this Subscription Agreement (a) Residents of any State. I have rend the jurisdictional notice applicable to the State of my resi
- all monies paid by me to the Company within three business days after the execution of this Subscription \$17.061(11X1X5) of the Florica Secunities Act, to witheraw my subscription and receive a full refund of (b) Revident of Florida. I hereby acknowledge that I have the right, pursuant to Section

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is prudent to send such letter by centified mail, return receipt requested, to ensure that it was received and also to evidence the time when it was realled. I also understand that should I make this request pany, indicating my intention to windcaw. I acknowledge that such letter or telegram should be sent or orally (either in person or by telephone), I must request written confirmation that such request by me postmarked prior to the end of the aforementioned third business day. I have also been informed that is without any further liability to me. To accomplish this fineed only send a letter or telegram to the Com-Agreement or payment for the Promissory Notes has been made, whichever is later. Withdrawal will be has been received.

transaction which is exempt under the Michigan Securities Act or pursuant to an effective Registration Statement under the Michigan Securities Ac-(c) Residence of Michigan. Lagree that I will not sell or transfer my Promissory Note(s) except in a

lacknowledge that I have received the Offering Document and are aware of the following

- (i) The intended use of the proceeds of this Offering:
- (ii) The current financial condition of the Company,
- its Alfillates from this Offering: (iii) The direct or indirect compensation which has been or will be received by the Company and
- fore is \$100,000 per Promissory Note: and (v) I or my representative may inspect the books and reports of the Company which relate to the (iv) The securities being offered hereunder are Promusory Notes and the purchase price there
- Subscription Agreement and to receive a full refund of all funds paid on account of this subscription Funding Account and the purchase and collection of the Accounts Receivable. the Company, indicating my intention to withdraw. Such letter or telegram must be sent or postmarked together with capies of the signature pages of the Agreement. Such withdrawal shall be without any the Company, I understand that I must ask for written confirmation that my request has been received. evidence the time when it was mailed. Should I make this request orally, in person or by telephone to prudent to send it by certified mail return receipt requested, to ensure that it is received and also to prior to the end of the aforementioned second business day. If I send a letter, I understand that it is further liability to any person. To accomplish this withdrawal. I need only to send a letter or telegram to Pennsylvania resident may elect within two business days of the date of execution, to withdraw from this date of purchase agree not to sell or transfer any of the Promissory Notes for a period of at least twelve months from the (d) Resident of Pernsylvania. Pursuant to the Pennsylvania Secunities Act Section 207(m), each
- action which is exempt under the Texas Securities Act or pursuant to an effective Registration Statement under the Tools Securius Ac-(e) Resident of Text. (agree that I will not sell or transfer my Promissory Notes except in a trans-

7. Acceptance by the Company

and provisions contained in the Offering Document. It may be accepted, in whole or in part by the Company executing this Agreement and mailing a duplicate copy to the undersigned. The Company reserves the right in its sole discretion to reject this subscription in whole or in part. Except as set forth herein, this Subscription Agreement is irrevocable. It is subject to all of the terms

8. General Provisions.

be modified or waived except in writing, and is subject to all of the terms and provisions contained in the governed by the laws of the State of New York applicable to contracts fully to be performed therein, may not parties expressly agree that all of the terms and provisions hereof shall be construed in secondance with, and Offering Document Notwithstanding the place where this Agreement may be executed by any of the parties hereto,

CONTRARY IS A CRIMINAL OFFENSE.

- undersigned at the addition which is set forth below and to the Company at 417 Fifth Avenue, New York, delivered or mailed by regulered or comilied mail, return receipt requested, postage prepaid, to the (a) All notices or other temmunications given or made hersunder shall be in writing and shall be
- the subject matter hereal and may be amended only by a writing executed by all parties. (b) This Agreement constitutes the entire Agreement between the parties herein with respect to
- pursuant to the Agreement in the absence of gross negligence, misference, matterance or travel (c) The Company, munsel, and their respective Affiliates shall not be liable for mking any action
- Jurisicand Nonce and Representations.

sales of Promissory Notes that be made. The Company will maintain a list, which will be available upon request of those states in which offers and scrued to mean that the Promissory Notes have been eleared or are otherwise available for rale in that state. It should be noted that the inclusion of a notice under state securities laws below should not be con-

NOT ASSURE REGISTRATION OR EXEMPTION. TION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN EXEMP DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER DEALERS MUST CONFIRM

IN ADDITION, SOME STATES' DEFINITION OF "ACCREDITED INVESTOR" DIFFERS FROM THE DEFINITION SET FORTH AT SECTION 44) OF THIS SUBSCRIPTION AGREEMENT. THERE FORE, IT IS DIFFERATIVE THAT BROKER DEALERS VERIEY THAT POTENTIAL INVESTORS OR COMPLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE BANA SECURITES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITES, NOR DOES IT PASS UPON THE ACCURACY CLADA OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALA-QUALIFY AS "ACCREDITED INVESTORS" IN SUCH STATE FOR ALABAMA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A

FOR ALLIKA RESIDENTS ONLY. THE SECURITIES OFFERED HAVE SEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF 3 AAC 08:503, AAC 08:505. THE INVESTOR IS ADVISED THAT THE ADMINISTRATION HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND CONTRARY IS A VIOLATION OF AS 45.55.170. NOT REQUIRED TO BE FILED WITH THE ADMINISTRATION. THE FACT OF REGISTRATION DOES NOT NEAN THAT THE ADMINISTRATIOR HAS PASSED IN ANY WAY UPON THE MERITS. RECONDUCTION OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE HAS NOT REVIEWED THE OFFERING DOCUMENT SINCE THE OFFERING DOCUMENT IS

THE EVVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PER-SON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, IN-CLUDING THE MERITS AND RISKS INVOLVED, IN MAKING AN INVESTIMENT DECISION ON THESE SECURITIES

EXEMPTION MEAN THAT THE COMMISSION HAS PASSED UPON THE MEANTS OF OR OTHER WISE APPROVED THE SECURITIES DESCRIBED HEREIM. FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION THAT THE OFTERING DECLURENT IS TRUE OR ACCURATE, NOR DOES SUCH GRANT OR

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FOR ARCHASS RESIDENTS ONLY. THESE SECURITES ARE OFFERED PURSUANTIDA CLAM OF EXEMPTION UNDER SECTION 21-1564/14) OF THE ARCANSAS SECURITES ACT AND RULE 56 OF REGULATION D PROMULGATED UNDER THE SECURITES HAS ARENDED, A REGISTRATION STATEMENT RELATING TO THESE SECURITES HAS NOT BEEN FILED WITH THE ARCANSAS SECURITES DEPARTMENT OR THE COMMISSION TESTANDE NOT THE COMMISSION NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UTON THE VALUE OF THESE SECURITES, MADE ANY RECOMMENDATIONS AS TO THESE PURCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCHASE, APROVED OR DISAPROVED THE OFFERING, OR PASSED UTON THE ACCENTANCY OF THE OFFERING DOCUMENT. ANY REPRESENCEMENT OF THE OFFERING DOCUMENT. TATION TO THE CONTRARY IS UNLAWFUL

LOWITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNIESS SUB-SEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1913, AS AMENDED, OR THE CALFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION IS REQUIRED. FOR CALIFORNIA RESIDENTS ONLY, THESE SECURITIES HAVE NOT BEEN REGISTERSED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECURIC EXCHIPTIONS THEREUNDER RELATING TO THE

FOR COLOR-DO RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1963 BY REASON OF SPECIFIC EXCAPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUB-SEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURÍTIES ACT OF 1981. IF SUCH REGISTRATION IS REQUIRED

FOR COMMECTICUT RESIDENTS OMEN. THE SECTRITIES REFERRED TO IN THE OFFER-ING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CON-NECTICUT UNFORM SECURITIES ACT. AND, THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UNDER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

SALES ARE MADE TO FIVE OR MORE PERSONS?LASUANT TO SECTION \$11.66(11)(A)(S) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE WORDABLE BY THE PURCHASER EITHES WITHOU THESE DAYS AFTER THE FIRST TEXPER OF THE SIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COMPANY CR WITHOU THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMPANY OR CONTROL THESE BOAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER, THESE SECURITIES ACT (RULE THESE HAVE NOT SEEN REGISTERED LYDER THE FLORIDA SECURITIES ACT (RULE THE SHAVE). E(0.005(5/4)(12))FOR FLORIDA RESIDENTS ONLY: FLORIDA PLACHASERS ARE ADVISED THAT WHERE

FOR GEORGIA RESIDENTS ONLY. OFTERESS ARE HERESY ADVISED THAT THE CONSENT DECREE ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE CONFIDENTIAL PRIVATE OFTERS DO DOCUMENT DATED OCTOBER 1. 1990, PROVIDES THAT TOWERS IS PERMANENTED EXTROM VIOLATING THE SECURITIES LAWS AND THAT TOWERS IS SCHEET TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A WAPER IS GRANTED BY THE STATE OF GEORGIA, THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DBY THE TATE OF GEORGIA, TOWERS HAS APPLIED FOR SUCH A WAPER AND THE STATE OF GEORGIA TOWERS HAS APPLIED FOR SUCH A WAPER AND THE GEORGIA SECURITIES COMMISSION HAS APPLIED FOR SUCH A WAPER AND THE GEORGIA SECURITIES COMMISSION HAS AGREED TO GRANT THE WAPER PROVIDED THAT THIS NOTICE BE FURNISHED TO ALL CENTERS. ALL GEORGIA OFFEREES.

DER THE IDAHO SECURITIES ACT AND. FOR IDAHO RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNITED LAHO. SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANS.

FERRED UNIESS THEY ARE SO REGISTERED OR UNIESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR ILLIMOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLIMOIS OR THE STATE OF ILLIMOIS, NOR HAS THE SECRETARY OF STATE OF ILLIMOIS OR THE STATE OF ILLIMOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION OF THE OFFERING DOCUMENT. TATION TO THE CONTRARY IS A CREMENAL OFFENSE.

FOR INDUNA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OF THE INDUNA CODE. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS TREREFROM.

UNDER APPLICABLE SECLRITIES LAWS OF LOUISIANA AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR LOUISIANA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED

FOR MARYLAND RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED INDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REAVON OF SPECIFIC EXCLUSIONS THE REMOVER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOOL TRANSFERRED OR OTTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REG. INTERESED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE MARYLAND SECURITIES OF RUTTES ACT, IF SUCH REGISTRATION IS REQUIRED

FOR MICHIGAN RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITION SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMP. TION FROM REGISTRATION IS AVAILABLE - MENTAUM INVESTABLY IN MICHIGAN IS

FOR MINNESOTA RESIDENTS ONLY. THESE SECURITIES REPRESENTED BY THIS OFF FERING HAVE NOT BEEN REGISTERED L'NDER CHAPTER SOA OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXCENTION THEREFROM.

FOR MISSISSIPM RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MENTS AND RISKS INVOLVED. THESES SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITES HAVE NOT CONFIGMED THE ACCURACY OR DETERMINED TRARY IS A CRUINAL OFFENSE THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE

THESE SECURITIES ARE SUBJECT TO RESTRUCTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

MUST RELY ON THEIR OWN EXAMENATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS IN-FOR MISSOURI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR

STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT COMPRISED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT, ANY REPRESENTATION TO THE COM-TRARY IS A CREMENAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRUCTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO SEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME

JERSEY HAS NOT PASSED ON OR ENDORSED THE MERTIS OF THE OFTERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF THE MENT OF THE STATE OF NEW JERSEY. ANY OR THE DEPARTMENT OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL FOR NEW JERGET RESIDENTS ONLY; THE ATTORNIEY GENERAL OF THE STATE OF NEW

FOR NEW METOCO RESIDENTS ONLY. THE SECURITIES DESCRIBED HEREN ARE OFFERED PURSUANT TO AN ECEMPTION FROM THE REGISTRATION REQURREMENTS OF THE SECURITIES ACT OF NEW METOCO. ACCORDINGLY, THE NEW METOCO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERENC OF THESES SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THE OFFERENC. THE NEW METOCO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE DEFORMATION CONTACTED IN THE OFFERENG DOCUMENT.

VESTORS MUST RELY ON THER OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RUSKS IN VOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FED-RUSK INVOLVED. THESE SECURITIES HAVE NOT CONFIRMED THE ACCURACY OR MORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMENT THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRAMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRUCTIONS ON TRANSFERRABLITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMOTTED CYDER THE SECURITIES ACT OF 1933. AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THERE FROM, ENVERTED SEARTHE SECURITIES HE REQUIRED TO BEAR THE FROM, ENVERTED SEARCH THE SECURITIES WILL BE REQUIRED TO BEAR THE FROM. ENVERTED SEARCH THE SECURITIES AND APPLICABLE THE SECURITIES OF THE SECU FEVANCEAL RUSK OF THE INVESTIMENT FOR AN INDEFENTE PERIOD OF TIME. FOR NORTH CHROLINA RESIDENTS ONLY. IN MAKEING AN INVESTMENT DECISION IN

SYLVANIA SECURITIES ACT OF 19T. EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RUGHT TO WITHDRAW HIS ACCEPTANCE. WITHOUT INCURING ANY SHALL HAVE THE RUGHT TO WITHDRAW HIS ACCEPTANCE. WITHOUT INCURING ANY SHALL HAVE THE RUGHT TO WITHDRAW HIS ACCEPTANCE. WITHOUT INCURING ANY SHALL PLOTE COMPANY, ITS AFFILLATES OR ANY OTHER PERSON, WITHOUT TWO (2) LUBILITY TO THE COMPANY, ITS AFFILLATES OR ANY OTHER PERSON. WITHOUT HIS DISCRESS DAYS FROM THE DATE OF RESCRIPTION AGREEMENT. TO ACCOMPLISH THIS WITHOUT OF PRORTHED AT THE DATE OR THE COMPANY SET FORTH IN THE OFFICHING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT FORTH IN THE OFFICHING DOCUMENT. SUCH LETTER, IT IS PRUDENT TO SEND THE DAY, IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND THE DAY. IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND THE DAY. IT ALSO THE DAY OF THE WAS MALED. SHOULD A SUBSCRIBER MAKE ALSO TO EVEDENCE THE TIME WHEN IT WAS MALED. SHOULD A SUBSCRIBER MAKE ALSO TO EVEDENCE THE TIME WHEN IT WAS MALED. THIS REQUEST ORALLY, HE SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS RE FOR PENNSTRUANIA RESIDENTS ONLY: PURSUANT TO SECTION 207(m) OF THE PENN ಠ

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TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR WASHINGTON RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTIGES MUST RELY ON THEIR OWN EXAMINATION OF THE FERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MEATS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER REGULATORY AUTHORITY. FURTHER MORE, THE FOREGOING AUTHORITIES HAVE NOT CONTRAND THE ACCURACY OR DETERMINED THE ACCURACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFERING DOCUMENT. ANY REPRESENTATION OR STRUCTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERMENTITED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXCENDED TO BEAR THE FEVANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERSON OF TIME. FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THE OFFERING DOCUMENT OR UTON THE MENTS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY.

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3 ε Number of Promissory Notes Term of Promissory Notes (at a price of \$100,000 per Promissory Note)

TO TOTAL 24 months

(c) Payment Tendered Herrwich: (\$100,000 times number of Promissory Notes) \$

Additional Documents Required

Ξ Э Investor Questionnaire; and

Community Property Designation (If applicable) from Page ___ of this Subscription Agreement

TO BE COMPLETED BY ALL SUBSCRIBERS:

subscription should be mailed:	Residence Address to which information regardle
	1;
	1.7

City and State Street Address Ę

Social Security Number or Employer Identification Number

(dcphose Number

Social Security Number or Employer Identification Number of Joint Terant or Terant-in-Common if applicable

IN WITNESS WHEREOF, I (we) have exempted this Subscription Agreement this Ą

Ð,

PRIVE CALC

Name (Picase Prmi)

N.

entrag

Name of Joint Texant or Texant-in-Common, if applicable.

•

Sexual Control

Term of Promissory Notes:

Accepted:

Number of Promissory Notes

TOWERS FINANCIAL CORPORATION

=

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DATE:

Name of Entry (Picase Print)

ACCEPTED AND AGREED TO THIS , 1990.

[Corporate Seaf (if applicable)]

Signature and Tale

Michell Brater. Vice Chairman and Chief Operating Officer

COMMUNITY PROPERTY DESIGNATION

If a subscriber is an individual who is legally domicaled or resident of the State of Arizona. California. Idaho, Louishana. Nevada, New Mecko, Teess or Washington, the following designation must also be comoleted:

A. The Promissory Notes are being purchased as Community Property in one or both names (both spouses must sign).

SIGNATURE OF HUSBAND

SIGNATURE OF WIFE

Type or Print Name of Husband

Type or Print Name of Wife

B. The Promissory Notes are being purchased as Separate Property (the Subscriber alone must sign the Separate Property Election, and the subscriber's spouse must sign the Separate Property Acknowledgement below).

SEPARATE PROPERTY ELECTION

The undersigned elects to that this investment as (bis) (her) separate property. In making this decision, I have constulted with independent counsel to determine that I have used my separate property or funds to purchase the Promissory Notes.

SIGNATURE OF SUBSCRIBER

Type or Print Name of Subscriber

A TO

SEPARATE PROPERTY ACKNOWLEDGEMENT

I hereby acknowledge that my spouse is making this investment with (his) (her) separate property and

SIGNATURE OF SUBSCRIBER'S SPOUSE

Type or Print Name of Subscriber's Spouse

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3:96-cv-0102 3-L	-J/S Document 350-1 Filed 06/23/00 PageID.2722 Page 52 of 344
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	Form of Promissory Note
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TOWERS FINANCIAL CORPORATION OCTOBER I, 1999 PRIVATE OFFERING DOCLMENT NOW, MEGOTIABLE RECOURSE PROMISSORY NOTE

For value received, TOWERS FINANCIAL CORPORATION, a Neward corporation (the "Maker"), promises to pay to the order of the person whose rame and address are set forth at the end of this Note (the "Payee"), its succession and assigns, the principal sum which is indicated at the end of this Note, together with interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note together from the date of this Note (the fate of this Note) through and including the case of final payment hereunder.

Principal hereunder shall be due and payable in full on the date which is indicated at the end of this Note (the "Manurity Date").

Payment of principal and interest under this Note shall be made in lawful money of the United States of America to the Payee at the address which is set forth at the end of this Note or at such other focution as shall be notified to the maker by the Payer. Interest whall be calculated on the fasts of a year of 363 days for the actual number of days elapsed and shall be payable monthly for quarterfyl commencing with the interest payment which is due thirty (30) days from the date of this Note.

Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is provided for herein the rate of interest which is provided for hereinsted shall not extend the maximum legal rate of interest which is permitted pursuant to applicable law. If the rate of interest which is provided for in this Note shall be found to extend the maximum legal rate of interest, the Maker shall be required to pay only the maximum legal rate of interest.

This Note has been issued pursuant to the Offering Document dated October 1, 1990 of the Maker, and this Note is subject to all of the terms, conditions, obligations and provident which are set forth in the Offering Document.

The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the "Security Agreement") which was descrited by the Maker in favor of the Payer and other similarly situated payers. Neither this reference to the Security Agreement nor any provision thereof shall affect or impair the obligations of the Maker which are provided for herein.

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This Note is made and delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York. Any provision hereof which may prove uncuforceable under any law shall not affect the validity of any other provision hereof. The Payer agrees that any action or proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and County of New York.

This Note may not be changed or terminated orally, but only by an apprenient in writing and signed by the parry against whom enforcement or any waiver, change, modification or discharge is sought.

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Address	Print Name(s)		PAYEE:	N WITH CAS WITH KENTON, the wicerngines	
Manniny Date:	Period to Maturity:	Principal Amount of Note: \$	By: Michel Brater, Vice Charman and Chief Operating Officer	IN WITHERS WEEKEOF, the understance has executed into your as of the _ cary or IY TOWERS FEVANCIAL CORPORATION	the state of the s

The Provision y Mark has not both requirered under the Securities Act of 1933, as attended, and may not be told or otherwise threaffered in the absence of such reportation or as examples on the follows whater touch Act or take excepting them. Furthermore, the Provisions has the tendence of the tendence at the principal office of Maker and will be the maked without charge to the holder of the Provision of the value of the tendence of tendence

Rate of Interest

_ % per annum

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City, State and Zip Code

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SECURITY ACREEMENT

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The Debtor, pursuant to its offering document, dated October 1, 1990 (hereinafter referred to as the "Offering Document"), has issued its recourse non-negotiable promissory notes (hereinafter referred to as the "Fromissory Notes") to each of the Secured Parties in the amounts which are indicated on Exhibit "A" which is amounted hereto. Pursuant to the provisions of the Offering Document, the proceeds of the offering of the Promissory Notes are to be placed in the Funding Account, as defined in the Offering Document, and Document. In order to induce the Secured Parties to enter into this transaction, the Debtor has agreed to grant the Secured Parties a security interest in the Funding Account, the Accounts Receivable and any proceeds therefrom in whatever form as security for repayment of the Promissory Notes pursuant to their repayment of the Promissory Notes pursuant to their repayments of the Promissory Notes pursuant to their repayments of the Promissory Notes pursuant to their repayments of the Promissory Notes pursuant to their repayments.

2. Definitions

Each of the capitalized terms which is used herein that have the same meaning which is set forth in the section of the Offering Document which is entitled "Glossary" unless the content of this Security Agreement requires otherwise.

3. Security befores

To secure the payment when the of principal and interest under the Promissory Notes and the payment and performance by the Debtor of all obligations and liabilities of the Debtor to the Secured Parties pursuant to the Promissory Notes, the Debtor thail and hereby does, on and as of the date hereof, grant convey, assign and transfer to Secured Party, a security interest to and to (i) the Accessite Receivable and all additions, replacement and anachments thereto, (ii) all other constructs calling for the procedure of financing of the Accessite, (iii) all proceeds which are derived by the Debtor from the collection or the attempted collection of any of the items referred to in '(i)' or '(ii)', and (iv) the Franking Accessite, exclusive of the Eucess Profits Amount, as defined in the Offering Document (hertinafter referred to collectively, as the 'Collateral').

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4. Default

- 4.1 Event of Default. The term "Event of Default," as used herein, shall mean the occurrence and continuation of any one or more of the following events:
- (a) The failure of the Debtor to promptly pay when due any of the amounts of interest or principal which are due and payable pursuant to any of the Promissory Notes, which failure continues for a period of thirty (10) days after the applicable Secured Party gives the Debtor written notice of such default
- (b) If the Debtor shall admit in writing its inability to pay, or fail to pay, its debts generally as they since due; or
- (c) If, under the provisions of any law for the relief of debtors, any court of competent jurisdiction or crassodian shall assume conscorp or control of the Debtor of the whole or any substantial part of the Debtor's property without the consent of the Debtor.
- 4.2. Upon the happening of an Event of Default, the Promissory Notes shall become immediately due and payable and the applicable Secured Party shall have the rights which are set forth in Section 7 of this Security Agreement.

- as agent for the Secured Party, to hold same in trust for the Secured Party, and to deliver same to the Secured of any kind or description with respect to or on account of such Collateral, the Debtor agrees to accept same Collateral and if the Debtor shall receive or become entitled to receive any rights, distributions or payments Party as Collateral herounder. Pary in the form received, with the endorsement of the Debtor when necessary, to be held by the Sociated 5.1 If a Secured Parry shall have required the Debtor to deliver to such Secured Parry any or all of the
- agrees that it will: due to the Secured Parties pursuant to the terms of this Agreement and the Promissory Notes, the Debtor 5.2 Until the Secured Parties are paid in full for the principal and interest of all indebtedness which is
- activities and operations; and (a) take whatever actions are necessary to comply with all statutes and regulations governing its
- (b) promptly notify the Secured Parties of an Evest of Default which is discovered by Debtor.

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- is the principal place of business and the location of the chief executive officer of the Debtor. 6.1 The only office where the Debtor keeps, or will at any time prior to final release hereal keep records concerning any part of the Callateral, which is "accounte" as that term is defined in the Uniform Cornmercial Code, is at the address of the Debtor which is shown at the beginning of this Agreement, which office merial Code, is at the address of the Debtor which is shown at the beginning of this Agreement, which office merials are the address of the Debtor which is shown at the beginning of this Agreement.
- senis and warrants to the Secured Parties that 6.2. To induce the Secured Parties to enter into the transactions provided for herein, the Debtor repre-
- and will not conflict with any provision of law, or of the charter or by-laws, or of any other agreement affecting or binding upon the Debtor: (b) The execution and delivery by the Debtor of this Agreement and the Promissory Notes and the performance by the Debtor of its obligations under this Agreement and the Promissory Notes do not performance by the Debtor of its obligations under this Agreement and the Promissory Notes do not (a) The Debior is duly authorized to execute and deliver this Agreement and the Promissory Notes and to perform all of its obligations under this Agreement, including the execution, delivery and performance of whatever additional documents are necessary or required in connection with the transaction. tions which are contemplated herein;
- their respective terms, except as limited by bankrupter, insolvency or other laws of general application relating to the enforcement of excitory rights and except to the excitory rights and except to the excitory rights and except to the except to the excitory rights and except to the except to the except to the excitory rights and except to the exce (c) This Agreement and the Promissory Notes, when duly executed and delivered in accordance with this Agreement, will be valid and binding obligations of the Debus enforceable in accordance with with this Agreement, will be valid and binding obligations of the Debus enforceable in accordance with performance thereof may be limited by principles of equity: and
- vada Business Corporation Law. 3 The Debtor is a culy organized and validly existing emporation in good standing under the Ne-
- 7. Right and Obligations of Secured Parties With Respect to the Colleged
- 7.1 The Secured Parties hereby severally agree that, upon an Event of Default, each Secured Party shall be entitled to exercise his comedies hereunder and under the Uniform Commercial Code only in respect of that portion of the Collateral (determined according to the their present value thereal) which bears the same ratio to the total Collateral as that portion of the indebtedates with respect to any Frontissory Note the same ratio to the total Collateral as that portion of the indebtedates with respect to any Frontissory Note.
- the Secured Parties from or on account of the Collateral shall be applied by the Secured Partie to the man-ner set forth in Section 9-504 of the Uniform Commercial Code in effect at the time of such sale or other disposition of the Collateral. 7.2 The proceeds of any sale or other disposition of the Collateral and all sums received or collected by

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Beld by such secured Party.

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- 7.3 A Secured Pury may only mander a Promissory Note held by him, subject to the terral of the Offering Document and the Securities Act of 1933, as amended, and state securities to we. Upon any such transfer, Secured Party with respect to the Collateral. the transferre shall automatically become vested with all rights, powers and remedies hermander of such
- to the Debtor all of the Collateral. 7.4 Upon payment in full of all of his Promissory Note, a Secured Parry will promptly the mafter release

- only, and shall not be deemed to affect the meaning or construction of any of the provisions hereof. 8.1 Heading. The descriptive headings in this Security Agreement are for convenience of reference
- such right. Except as otherwise specifically provided for hereunder, no delay or omission by any party in struct as a bar to, or waver of any right or remety on any future occasion. such other right. A valver on any one occasion with respect to the subject statter hereof shall not be ∞n exercising any right with respect to the subject matter hereof shall operate as a waiver of such right or of any waived any of its rights hereunder or under any other agreement institutions or paper signed by any of them with respect to the subject matter hereaf, unless such vaiver is in writing and signed by the party waiverg 8.2 Waiso. Except as otherwise specifically provided for hereunder, no party shall be deemed to have
- separately or concurrently. לכחכבים herrby or by any other agreement instrument or paper, will be כברם whative, and במץ be exercised 8.3 Rights Cumulative. All rights and remedies with peopers to the subject matter hersel whether en-
- 8.4 Exite Aprement. The parties hersin have not made any representations, warrance, or covertants and set forth with respect to this subject matter hereal, and this Security Aprement, constitutes the entire appreciate between them with respect to the subject matter hereof. All successioning and appearances Agreement and any such instrument which alone fully and completely expressed their agreement. beratofore had between the parties with respect to the subject matter hersel are merged is this Security
- 8.5 Amendment. This Security Agreement may not be changed, modified, extended, terminated, or discharged orally, but only by a written agreement which is aigned by all of the parties to this Security Agree-
- 8.6 further formance. The parties agree to execute any and all such other and further instruments and documents and to eake any and all such further actions reasonably required to effective this Security. Agressent and the intent and purposes hereof.
- 8.7 Notices. All notices or other communications required or permitted hereunder that be in writing and shall be mailed by furn Class. Regimened or Certified Mail. Return Remains Requested passage pre-Salono or ord

To the Debtor.

Aum: Mitchell Brater, Vice Chairman Towers Financial Corporation New York New York 10016 417 Futh Avegue and Chief Operating Officer

on Exhibit "A" to this Security Agreement All the addresses which are set forth To the Secured Parties

of in each case to such other address as shall have lart been furnished by like notice. If mailing by Registered or Certified Mail is impossable due to an absence of postal service, notice shall be in writing and personally the case so mailed or delivered, as the case may be. delivered to the aforessid address. Each notice or communication shall be deemed to have been given as of

this Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, personal representatives, successors and assigns.

TOWERS FINANCIAL CORPORATION

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement as of the _____ day of

Mitchell Brater,
Vice Chairman and Chief Operating Officer

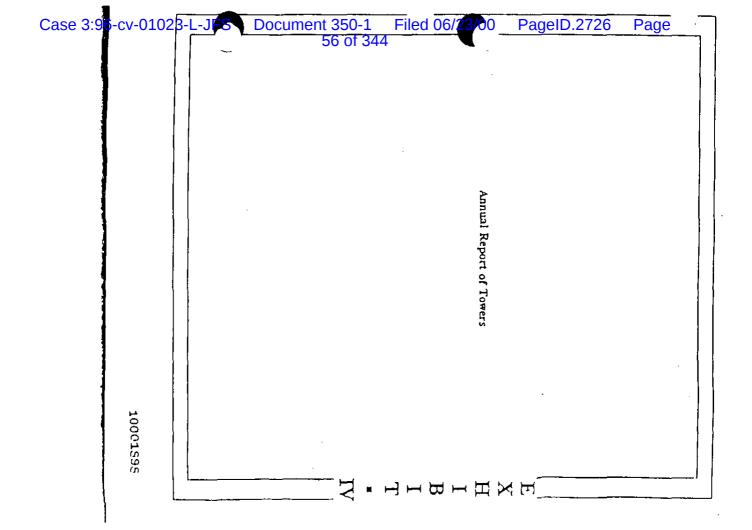
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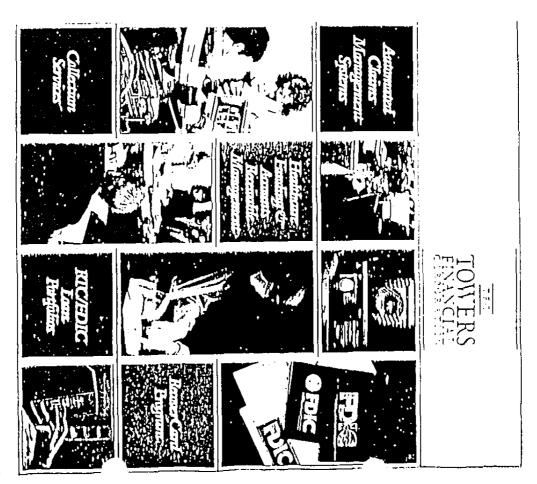
Names and Addresses of Secured Parties

Arsount of Principal Obligation Pursuant to the Promissor Note

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potential within this receptive market

ment needs of the burgeoning Soco billion service tesponding to the funding and manage eniverse of corporate America, and as a unique bizimiet acconna wesivable collection service to Out primary marketing thrust continues as a

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LETTER TO SHAREHOLDERS:/cmmmae

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regional offices, provides TFC with a sound whether in our national headquarters or in and exploit our imaginative programs. פובתטחים שמים שתוכה נס שעהכה, פוספכתי הבהכונ TeC's esperenced, escemely well-camed seet

Opportunity: Healthcare

recovery expensive to healthcare providers across needed funding, receivable management and cue conuci. and vigorously pursued, providing critically 5660 billion, It is a market The had identified ಗುರೆಲುಗು ಇದು ಮಗಲಾ ಹಾರುದ ರೈತಾರ್ದ ದಾರು Healthean Receivable Funding Program and to hardware, has positioned TEC at the heart of an its unique and highly specialized software and Automated Claims Management Systems, with The introduction of the powerful Towers

inherent to TFC's proprietary software. called "Accelerated Collection Recall" and it is efficient manner. It is a TFC initiated system and without control operations in a highly the shilling of providers to conduct their billing reimbursement delays by third party reimbursen the program has succeeded in bridging the Using experienced TriC support personnel, and governmental agencies, while it enhances processing departitions and skilled rechniques.

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New Opportunity:

RIC/FDIC Loan Portfolios

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adding a new source of profitable business. now recovering these loans on its own behalf, cusing dipabilities and its national network, it is Company for a discount of their value. Utilizing portiotios from the Federal Deposit Insurance this emerging market opportunity, Towers has and delinquent lears, without the self and hundreds of billions of dollars worth of past due hundreds of failed S&L banks, the FDIC (and In its capacity, as receiver and liquidator of



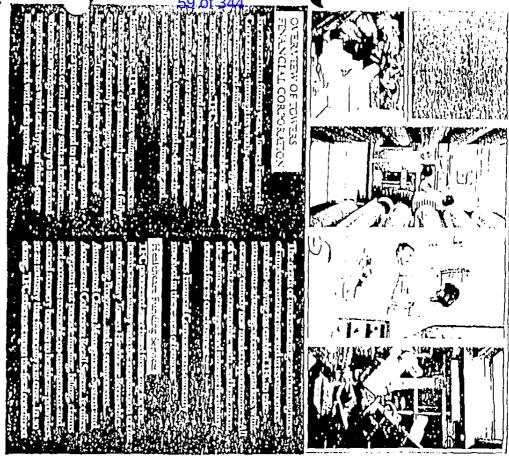




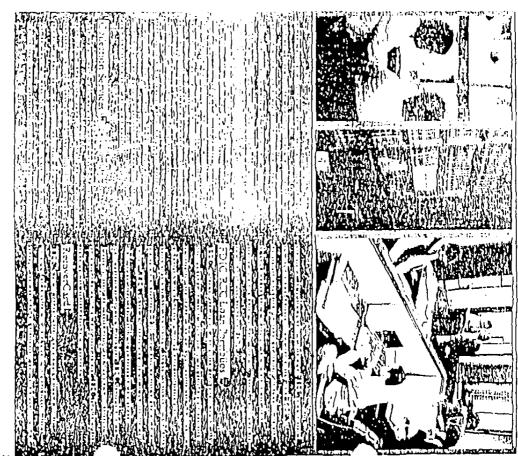
bened of business and businessia. As Sunceraly, value to the company and to your share. the undovativeness that has invisionally added markets and establish solid positions in new ones. we continue to increase peneration of custing at the threshold of what we believe will be a advanced software collection cipability, we stand principal in beobje and in the most Building upon our strength and around our cort Leadership: we will manned our commitment to number

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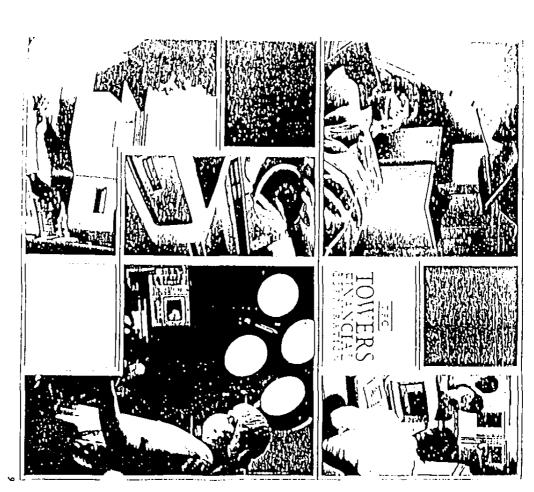
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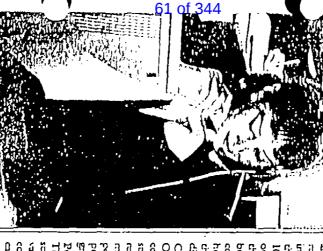


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this victually limited potential that TFC has than \$50,000 accounts, nationwide, And this is ing and screecing) for more than 10,000 clients in companies and additional thetrands of ongrain & Americandor are no unassession a unique outstanding debt of over \$275 million for more 1000 companies. This involves managing and healthean provides. The manager and receivable collection, management and related directed in full attention. ene United Seits, including many of the Fortune escovers reconnta escavable (including purchas-ಟೊಪಾದಬೆ ಆರಾಗರದ ಸಂಸಂಧಾನದ ಸೊದಾದ, hospiculs recognized as one of the leading firms in accounts resiment arms in operation reponally. It is to Towers Financial Corporation, after 15 years, is

COLLECTION SERVICES

Over the years, The has brought to bear in the beobje energeness and their unequaled ment made in the quality and calber of TFC collections incluser, a heightened and consistent grams devised by TFC to realize these attributes productivity, and from the francisork of pro-لحعمالية لوع المكنة ولاشدة ليمس جاد أنطع فإ سامعناء standard of excellence and profesionalism. It

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resources of the entire TFC organization. conditions...as well as providing access to the and services that can be callored to local market ejena tom coast-to-coast acces to produca marketing and sales offices and states. It provides fully operational national network of regional Added to this state-of-the-art facility is TFC's

Collection is at the core

nus camed in the healthcare industry. Loan Portolios and RecoverCard. It is perhaps, most evident in the commanding position TFC new business ventures, such as the RICFOIC opportunites. It is evident in TFC's approach to seculary to successfully exploit new market effect on etisting businesses, as well as on its investment in this area has had a compounding paramount to its success and growth. TeC's TrC's unparalle/ed ability to recover funds is

Performance

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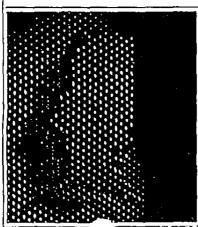
the industries in which they operate cost-energive performance and added business representatives...assuring a continued level of pecalisa, accounding, programmers and sales they serve. This is equally true of the marketing both the extensive expenence in executing their dums ಖಾಸ್ತುತದ, collectors and paralegals with The TEC team includes attorneys, insurance pecialized skills and in the particular industries FC has thus become closely identified with

Education, a continuing process

at TECtorita personnes, frends, procedures, techof the coming programs provided to customer niques, government or insurer policy changes billing and collection states. . At their facilites or at or LEC protessionals, have become the backbone The knowledge, experience and proven expubitin beneits ಖಾರೆ ಪರ್ಗಾಗಿ ಮುಸು**ಸಿಗ್ಗೂ 10 ೧೩**೮೦ಗಾಲಾ. all are continuously reviewed to maintain the FEC. Likewise, the educational process songoing FC form's skills... and their ability to deliver

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SKYCLOWACING CLARS RECEIVABLE FUNDING PROGRAM K-N-4GENEY- SISTEMS

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SECTOBLY GERVICES

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private philanchors to sovin the black. Over the cutte enough on pasent care to cover cases, and year ranged personal to the same and the debical process of the second and the second control of the se The Crisis in US Healthcare Financing set years, this promotions made of calsonate has

hand harms and The following are key ביירו ביי קב ההמשבטנוננבאוני פנו נוכר בנסאונול gravillative radio of the posted a major strate of its new Principle of the reflection this segment of The Transit This simily convented of the vasc

- There's the resources constilly

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THE THEORY CONTINUES THE LET WAS TO the past interment of a truster the monumental office of the

THE PERSON OF STREET AND LIVE A STREET 2000年,新年·新州夏州(600),新年1000年 ge Translate of posture of renders emigrafications of the

Major changes intensally proplems the control of the September 200 that have not been extremes and member in a confidence The Continue Has Green and the conand the provider of designation of









population, the AIDS epidemic, and the higher short ges of nerses and staff; services for an aging what hospitals were supposed to spend, rather costs of pad dept and chants care than what they actually spent. These lederal high price of new technologies and drugs: न्नातर्वशस्य do not accommodate the need und

Châpt in a seven economic ejemma a bass of costs and charges, and hillings could be longer exists. The nation's healthcar fielines are losses and to case cash flow. This situation no Premously, hospitals were paid repuspectively on sums smound and decorption is seen some

The economic diletura

an increasingly larger burden or shortalls from Medicald and Medicare reimbursements. grows increasingly more complex. And they bear the costs or goods and services in an atmosphere have rightened a dains review procedure that of strangents cost controls. They must wait longer for repayment from third party remounters who Realthours provides must address inflation and

CownEngine of the action actions closer furnicial schools, and to a subsequent avadable to heathours provided, it redeeds a barrowing from banking resource has proven source of funds for healthear essentions. But subjects hospitals and other provides to much כנייטפֿבק סשואיטל עלמוזינסלי במותסעשכטנ אפוכט condition, have districtly cut tack on capital extremely difficult. Banks, themselves in crisis Borrowing has emcironally been the principal Costly borrowing, when available

and Accelerated Collection Recall systems. This coucied instituteors احدداء مر يستسحم عصفيين به جندت صحصانا unique affordable opportunity to restore higher landmark program offices healtheat providers a components, Automated Chins Management Receivable Functing Program and its on-site development of the Towers filetinese ourses and the Surrens تسيين ot rich surrecou Dut predictions from knowledgable industry Development of the Towers programs as recognized within the industry. ...led to the approach to cash now management. It is a achtrace remountment in a pighly effective and conduct billing, collection, insurance alings and הככנסעי שהמנול שמשת זעק כתוכו לונסאוקבם נס program which enables hespiels, climics, Program is a brenkthrough, a resolutionary new

the delays protection by slow-paying insurance naconwide program that generates with funding the undensible imperative to collect a greater complex reundersement procession addition to by a need to gain control of an increasingly more Carriers and state and federal governments... and In response to this growing need, TFC created a partion of the hinds to which they are enteded. יסו חכבונהכבת סתיולכם שונה ב הכבל נס סתלבה The Towers Healthour Resmable Funding

erray or benefits, systems and supervisory istrators, a comprehensive and knowledgesole remueu spectronia Serves to ejen obetations Automated Claims Management Systems business markets The provider on site to how healthcare admin-

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bursers, included is the training and actionation of internal staff to this new methodology תכל נס גור כסשומוכו השואכוצה מנינורות-מרוני, וברנו

machandand undergeby and most completion the most advanced software and processing and the Actelerated Collection Retail System at Developed exclusively by TFC ದಾಗು ಬಾಸತ್ತಾರಬೀಯ ಜರೆಗೂರಬೇರುತ್ತಾ healthear inclustry. They are systems apsible of echnologies developed exclusively for the EFC's Automated Claims Management Systems

لتعد دمالحتنمه تحطا

האחביוני ובלהףומני כומנום וו אסעוכב מוויוא נביש זכננ שעק זכננסטז כצ'סכני קיזשני אניזיאפן הוה חיל היות-סיניל נתוונית בשבת קצות בכני mg the collection process step-by-step through (Accelerated Collection Recall) is capable of the ಯಾಗುತ್ತಾರ್ಗಳು and collection offices to supervise their The includes some collection recall system FC's Automated Claims Management System

The demands

the demands of a growing and rapidly aging costly and labor-intensive casks involved in the pressed to handle the complex, ame consuming addressing those medical needs will be hardpopulation, the people and institutions who are The industry continues its expansion to meet Kenness to the populations they kente delivery of cimely and fully updated healthcare tiscal administration of those organizations iner hat priority, understandably, must be the





A 1101 NT | RECEIVABLE MANAGEMENT/commund)

A gracer need

see the present termind for services and an even endered unabod to defend a contract of the ಾಯ ಸಂಪ್ರದೇಶ್ವ ಬರೆ ಹಾಗುತ್ತದಾಗಿ sides, ಅಭೇಜ ಹ in the cast that I heath are professionals, from grandation and a government intervention and The contract and on, essuing the fiscal The THE programs

Providing immediate payment

Document 350-1 64 of 3

ven i a see lugivo collection. training following the initial funding the pro-14. See See See provides receive significant The latter pay ment for accounts receivable due per a true patience of the receivables (minus a Company of Medicaid and

share term thanking is these few, enabling them substitution assets or cash flow have been qualified to the new their secounts receivable. Most do not Historical Comparew emblished firms with the same areas many radioonally demanded. The tight is going overhead expenses such as and a special on the same of t the furnity and mithout portowing or

> days for payment of their receivables. having to wait up to 90, 120 or sometimes 180

Towers applies its expensive

the famework of the host helitheare provides. delays, at the onset. After perchasing a hospital's ot cubbing certs in bayment from major mann the exertise use of the software extrapility of its the maning of custing healthear personnel and in many structors, The involvement includes the funds due from third party reimbursers. As שוק זקינוניביוני לומכנכהנים גם לוביוכטו כנוסנו שוק 'clean' claums, pius a cepability: to edit processing A basic feature of the program is the climination Automated Chins Management Systems within management and collection in order to recover eceivables and providing impreciate funding, building into the system an ability to generate unce companies and government agencies, by LEC recire is entensive expense in receivable

Claims process monitoring

sistems but in bace, are average payment circle is is able to manufar each step of the process. And dramaccally reduced. as a result of its focus and the entersive in-house our mental; in expensive and organization, Because of its unique knowledge of the health-TFC's Automated Chiens Management Systems

craing ability, designed specifically to increase helps to reduce internal stating costs through that we incorrect. Additionally, the program to reduce and eliminate third purty deductions chams submissions to casure quick payment and benefits include a thorough estimation of for all receivables generated each month sare-of-the-art, multi-million dollar data prouse of TFC's highly trained personnel and the For healthear providers, other related program פעימיכטלא שעק כניידוני שו זקקוניסטיון זחקונ כסטננים

Additional client services

פליבין עיון עביייסהיצלישלייני

management sect involved in the collection of support, guidance and training for claims Chins Management System offers on-site improve delivery of senders. The Automated ತಾರ ಜ (ಎಂದಾಕ್ತಿದ್ದರು ಬದ್ದವಿಂದಾದುತ್ತ ಶಿರಾಧಾನಣ ತಾರ which can be used to reduce accounts payable

coms... to encrosse perchasing power and to

working capital available through according,

لحدة تطعفيع ده الحفاضاصة عبط collection rights wortheres, to direction on governmental and ره رسيسرسية معهويصوت ره مسلمهمد ييساره صحورد to assistance in ownership sale or restructung, of conds and debentures, to providing cash ಕೆಂw, egsiaeve issues, and to guidance on legal mate action...ar provided with the opportunity to and other providers, regardless of size or sophuscounseling/management direction...hospitais, ibbly, the prim's expended to a wide variety of where i it's elients have access to a higher level of മ്പാല സ്ഥാര്യായ വേധവും വേദ്യാപ്പാട്ട problems and challenges. From organization of Eurica, medical groups, doctors, nursing homes beyond the specific program-related benefits.

sapplie, to an overty, נבלה pred mountary whose attempts to deal with the demands they will fice IFC into the forestone of the industry, as it it is this growing recognition that has thrust kervices are vital to the nation's well-being ענכבאביו. Obbownick to נכונסוב קושעכידן hedrhere prefessionals as a long awared and ment Systems are viewed by many leading Program and the Automated Claims Manage The Towers Freelthear Receivable Funding The resocation of financial scability







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The state of the s





services, and TEC's ability to also full advantage of their unique combination of apparatus and folios is a prime example of the zimely unitation FDIC LOAN PORTFOLIO PACKAGES TFC's entry in the purchase of FDIC loan port-

ACCOUNTS FEGET RALE MANAGEMENT (continue)

of emerging market opportunites. Hundreds of billions of dollars

with a mountain of past due and definiquent a result, these hideral agencies are overwhelmed congressional legislation, send in the capacity as the Resolution Trust Comportion, attacked by oustanding lears. بباداء اعداد جند عذاقيان به دييديت بدأب دوالديد جاجاد foars, worth hundreds of billions of dollars, and savings and ican inscrintons and focal banks. As receiver and liquidator of hundreds of failed The Federal Deposit Insurance Company, and

and ference profit center for the company and clienas, TFC unitizas las collection capabilities to own nationwide network. Using the systems marketing wes and are compatible to TFC's identified this segment of business as a current recover these leans on its own behalf. TFC has and methodology developed for corporate reflecting the failed institutions' individual The portrolio packages are compiled by locale, the FDIC for a discount of their face value. toan portrollo packages' of past due loans from

A range of collectable accounts The oustanding loans included in the FDIC

לוסיו לסנבסונים להבתיכונ קדם spont the qepter. מינון לסנבסונים בהבתיכונ קדם spont the qepter. current additises, phone numbers...are supplied anywhere in the United States. ready to be processed by TFC personnel, whether a company or individual, Names, Towers has purchased a select number of these An opportunity for TFC



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5

ACCOUNTS RESERVABLE MEANAGEMENT (STRINGER)

לובספביבים כנובניונים בי נסוומישוא זס דיוניו ופו נסופשו its pass due debts it work. THO's ResoverCard Promisold that is the she she there is seen.

for remiles, her meure provident denesa. of America's busines and professional firms... mprove the tan tew and the purchases power bideben ja togak ja spillebane susabalanda הבסאבתי שבנהפיני וס בחלשוכי והבני של וווקן וס يحسيرت دمسفعيندر الإياد فيمقعت الجززيع فنماجنا donon, dinid, publishes, menuhatura ind ו שב בקבסיבוררות בינובתים אים בתובובים נס

goods and senites or dollars...travel, hotels, The RecoverCard program affords each of its refer can be runned into the most demanded ಗಡದಲಾಗಿದೆ, ಜೇರ ಚಿತ್ರಕ್ಕೆ ಸಂಗಣ್ಣ ಇಸೇವುಗತ್ತಿರುತ checks, unpaid invoicts and delinquent credit their firm's hidden retease potential. Their bad

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Махітит Остойгу

A unique and sensible way for a company to put THE RECOVERCARD PROGRAM For business and protessional times

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contributions and even aution for employets. products, persa, employee incentives, charitable furnishings and servicas, describe consumer updated office or technical equipment, office

It's not a credit card

Collection's proven recovery expense. mnovable mass buying senice with Towers or combany, membergal bactchance auto porp payments, no endit checks, no minumums, no Discount 3uving ಗಿಂಭವಾ...which couple an the Towers Resovery Program and the Mass ResoverCard has no esteras tatas or monthly פורטכו לנהוט. לכנסיכולשל בשמחוכם שוץ לנהו le's more like mone; in the bank. The

Good fixed sense, good times

quickly, hidden assers are accomble, ready to go bad credit into good busines and good eimes. לססוכי כו שיג שיזריושל ז קיבונו אים מסטי no work. Whether it's a business trip, a new their purchasing power increase. And just as Towers Collection, their ResoverCard Account אי שבשבבים, הבלחק זכנסתום זה נתשבק סאבו גם payments to a vendor...RecoverCard transforms Balances begin to build quickly. As it grows,

> a RecoverCard member's most aroublesome past ತ್ತಿದ್ದರೆ, hotels, motels, ಗಾವಾಲವಾಡ...ಮೆ pud for by

so do the opcions and opportunica

Pro-paid arrive, counties, envelope, checks, rene-

Mass purchasing power

سعه مامُسة غيدهُما عبو سعيسانج بلجيا merchandise officied through is membership the high volume economies of Recover Card's לחעבים בא אין הבשע בעם של משודונא RecoverCard members can take full advantage of

to TFC, can directly pay Mastercard, Visa,

American Express or Durers Club...or can be

פהקק זו נווכה קסנשונונו זכנסהוים זוב נהווכק סוכנ mything. Memoes' Account Balanca, which

it's a RecoverCard member's choice. deposited to a company's bank account.

wedand aspects to

ರಿಂಧೀಡ, ನಿರುದುಕ್ಷ, ಜಾಗಿರಡ, ಡ**ಉ ನಿರ್ವದಸ್ಯ. ಸ**ಹಿಂಸ computed, busines machines, phones, fites, membershase and savel. Reproved a systems to due accounts. The program ತ್ತಾಂದ ಶಿಕ್ಕಾರಗಿದ

A full color and plus regular offerings of ing consortions. It is an added level of service usually reserved for large corporations and buyat the best possible prices. It's an advantage provided by a TFC core capability: access to the most needed and wanted products, Mass Discount Buying Program Catalog equional disconned merchandise, permits

medium size hims, has been very strong. The

communities and the enthusiasm explained by besitive unclassed by the bittiness and projessional enferred at the nagen's millions of small and The response to the new Resover Care program.

i an egyes regressed base more then

usained management's expectations

LEASING SERVICES

are the upic and reasonable. TPC is earrently Charles and assisted values of equipments entransial to tax element in this men Security of the Court of the Court Court of the Court of which the factors that are preed on sepacie equipment involved, and the partollar cuent qualitationers, depending on the type of Let man for a second or obersage leaves for graves, and a least tray of industrial machinery The contract government agencia, and deno green and the andress to cardit-worthy companies. Teward Leasung Corporation, a TIFC subsidiary ment in the mean relegions systems, preneng naun ment auch is computers, simplemen hand a second to the purpose of leaving a pied Emphasis placed on development of





revenue and a healthy return of investment ensures TFC a strong source of continued

ualizing its sophisticated callection expenses business. The ability to realize substantial rates of

sparment in the most efficient eine-frame,

continue to be important contributors to its TFC's corporate aredit or fatoring services A healthy return of investment ande furnice insurance and healtheart Pare available to a broad spectrum of firms and

tion, communications, wholesale and result

inclustres including manufacturing, carepora-

casing this financial pressure TFC credit services

receivable accoring provides a visible means of lack of waitable shore-term borrowing funds to limited credit extensions with suppliers, and the

) weet temporary, cray gow needs accomin

With tightened bank borrowing retrictions.

Evonole are of roun, over und over upin. cricionaca are med to close on the "bruchased". הכבוישטובה, נחבידטי סיסיולות פפספחישובה נס collection process and its entracedinary recovery: purchases endit worthy accounts receivable at a accounts receivable. Through this service, TeC enver in ecovepte porcoto it ecemely discount of their face value TFC's effective

こうしゅうしょう ・一つちょうかん ちんかい しましている しょうしき 人のないななな

FINENCIAL REGISTS OF SIEBLE ENENCIAL CORPORTION

Increse demand anticipated

rear, inventory and taxes. their own ongoing overhead expenses of payroll, companies eannor afford to wait in order to meet and in all incluseries. With caditional payment gow certaines sow for companies of all stees schedules reaching 60, 90, 120 days or longer. The need for factoring increases each year, as each







1,0001920

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Total liabilities and stockholders' equity

\$195,562,350

\$122,573,005

576,136,90+

13,421,937

881'61F'6

5,683,072

17,977,937 130,000

881'690'6 000'05E

5,583,072

Toci stock-cides' equity

ביחבי סביונס

Cipical stock issued, outstanding and subscribed - 4,564,220 (note 14)

Subscribed - 100,000 share (now 1+)

350,000

100,000 250,000

00,000

Snamiolées' equity
Capital stock (.001 par value)
Authorized - 10,000,000 shares;

Commitments and contingent liabilities (notes 2 and 11)

Total liabilities تحط المميز جي الفاقلات

182,140,413

113,153,817

70,505.852

25,111,130

27,059,37

17.1%

17.

65,027,877

للممع تحبيم الفاصلاتحة

ביים לכיני

Notes payable (note 5) less current portion

055 TH8 EET 640'E 468'9ET 19

21,62L159 964,559

23,525,000 134,516 2,558,150

1,683,700

117,112,536

88,042,687

43,44,54

Excess of this value of assets

Deterred income sares (nore 8) acquired over cost (note 2)

Total current liabilities

As of June 30,

	•	110011	
		117 627	Coodwill (not 2)
1	000,000	•	(E) were come (and (2))
	350		Non- and the state of the state
	5/5. 5 /5	709,851	Lithing ments: Net of cream portion
30-,979	87,95	515,812	Occupants
0,000			
3 600 000	17, 92, 5	2.305.500	בוא ישבוזיכו ם (חסת: 01)
111,000	1,098,163	3,574,494	
(361,711)	(581,923)	(6.47 7.66)	Hid Historization
			TOTAL METERS OF THE SECOND
1,021,922	1,680,086	1,568,973	
951,937	1,384,786	191*115*	purment and edinbuch
69,985	295,300	357,812	Lesschold improvements
			Fued Assets:
+12,129.12	П9'809'89?	187, 498, 299	ीं विद्या कारण कारण
	45,613	87,732	ייים אונרבו
1,816,255	606,395	1,061,555	Other receivables (note 10)
61,270,590	112,331,892	177,155,446	Accounts receivable - net (note 3)
5 8,534,369	S 3,825,765	\$9,193,566	Cash and cash equivalents
			כיייבוג אזאכם:
8861	1707	1770	

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The accompanying notes are an integral part of the Snancial statements.

The accompanying notes are an integral part of the financial statements.

		As of June 30,	
	1990	1989	1988
ent liabilities:			. 1
)uc to clicat (not: +)	564,880,237	\$52,501,911	\$31,606,396
acounts payable and accrued expenses	7,185,666	1,860,188	2,358,679
unter portion of long term dept (note 5)	31,321,000	27,096,387	7,113,629
ncome axes payable (note 8)	13,725,633	6,584,201	2,385,750

CONSOLDATED BALANCE SHEET: LABILITIES & SHAREHOLDERS' EQUITY

Case 3:96-cv-01023-L-J/S	Document 250 1	Ellod D6/20100	DagolD 2720	
Case 3.30 CV-01023-L-JF3	Document 220-T	Fileu 00/20/00	rayeid.2139	
4.	60 of 24	4	•	

Average common shares outstanding

Net income

Income before provision for axes
Provision for income axes (note 8)

6,300,000

\$3,486,116 3,326,986 4,813,102 T089,246

298,302

.87 4,464,710

> 3,069,397 1,655,900 \$1,413,497

72 051, 143.*

.

.

Less: Loss on sale of securica Add: Extraordinary item

209,174,288	82,390,872	1990	ži.
155,054,611	69,551,712	1989	Fiscal year ended June 30,
85,733,927	54,294,965	8851	ne 30,

The second secon

Page

Gross Revenues
Purchases and cost of services

Operating apersa Salaries and benefits

Cross profit

Less recoverable recent

155,331,451 55,842,837

77,082,895

Balance - Bezginning of year Net Income Balance - End of year

36,347,436

65.145,531 20,588,396

14,012,973 7,558,382 14,701,687 10,456,292

9,487,151 4,552,053 8,498,538 6,868,423

5,660,552 2,635,698 7,065,718 2,457,833

46,729,334 503,ELL,9

29,406,165

17,817,801

(531'871) LETP6'9 General and administrative Interest on notes

The acco
mpunying
חסנכז ער ב
ज integral p
art of the fa
المعددضا يحد
ונכחכה ש.

:26

10001924

As of June 30,

\$12,972,937 \$,902,749 \$81,969,188

\$5,583,072 3,486,116 \$9,069,188

\$4,169,575 1,415,497 \$5,585,072 CONSOLDATED STATEMENT OF RETAINED EARNINGS

23

The accompanying notes are an integral part of the financial statements

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Document 35 70 c	60-1 Filed 06/20 of 344	10 00 PageID.27	40 Page
Net an provided by financing activities Net increase (decrease) in Cash and cash equivalents at beginning of year Cash and cash equivalents at beginning of year	Cash flows from investing service: Capital expenditures, net of minor disposals Acquisition/(disposition) of investing activities Acquisition of goodwill Net task (used) in investing activities Increase in capital stock subscribed Increase in capital stock subscribed Increase in short term borrowing Increase (decrease) in longer and this	Changes in assets and liabilities: Accounts receivables (Accounts and accounts receivables (Accounts and defining income axes (net) (Net cash (used) for operating accounts	Cash flows from operating service: Not carnings Adjustments to reconcile not earnings to not cash provided by operating activities Bad defer - notes receivable Depreciation and amortization
41.600,309 46.174,922 5,367,801 3,825,765 89,193,566	(2,888,887) 570,741 (1,300,125) (3,613,272) 330,000 4,124,613	4,315,305 (64,823,554) (454,900) (46,907) (186,907) 12,378,326 5,325,478 6,299,582	1990
(1,073,798) 19,158,960 (4,709,104) 8,554,869 53,825,765	(658,860) 223,759 (435,101) (435,101)	3,707,02+ (51,061,302) (1209,660 (45,615) (983,757) 20,895,515 (478,491) 3,324,001 (13,432,963)	Years Ended June 30 1989 53, 486,116
26.142.612 26.142.612 4.954.248 3.580.621 \$3.534.869	(522,138) (3,600,000) (4,122,138)	1.632,386 (16.951,028) (1.526,733) (1.79,058) (3.270,537) 1.572,944 1,655,900	30, 1983 51,413.497 30,500 188,389
11 11	11 1	1 1	ı

Corporation, Towers Collection Service, Inc., its wholly owned subsidiaries, Towers Credit able ന്നവള്ന Towers Financial Corporation and as Transcon Adjustment Group Led., founded in acquisition and management of accounts receiv Corporation, ResoverCard Corporation of Towers Lessing Componition, TEC Funding 1975) is a diversified company operating in the Basis of presentation Summary of significant accounting policies Towers Financial Corporation (formedy known

Diversified Corporation, a wholly owned subsidiary, in October, 1987. (See Note 10). Towers Financial Corporation formed Towers

tunding Corporation.

America and Towers Healthcare Receivables

independently audited and consolidated for Service, Inc. and Towers Leasing Copporation were acquired in July 1986, by Towers Financial incorporated as follows: Towers Credit Corporation, Towers Collection presentation herein. The subsidiaries were mancal sciences for each subsidiary was Corporation, a publicly listed company. The

TFC Funding Corporation November 1989 Towers Credit Corporation RecoverCard Corporation lowers Lessing Corporation Towers Callection Service, Inc. 1984 بكتستة March 1985 April 1980

lowers Healthour Receivables or wicho [zmmz/ 1990

of becoming a publicly caded company. The 1986 acquisitions took place for the benefit Funding Corporation Warch 1990

owned subsidiaries after climination of material ntercompany accounts and transactions. the accounts of the Company and its wholly Operations and consolidations The consolidated financial scatements include

Statement of cash flows

NOTES TO FINANCIAL STATEMENTS

For the Year Endee June 30, 1990

Firstness Accounting Seendard No. 95, "Searc-In 1987, the Company adopted Seatement of ment of cash flows in place of the settement of ment of Cash Flows", and is presenting a seatechanges in ferancial costdon.

provided in related disclosures. Cash paid for disclosure to the settement of cash flows be E35 95 requires that the following supplemental income axes was none in 1989. income 144 S12,320,486 in 1990, 36,727,987 1989, und 52,264,696 in 1988. Cush paid for

Revenue Recognition

operations chrough receiving an increasable assignment of all claims accepted. rendered by its factoring and collection The Company derives income from services

panies when accounts receivables are assigned. Gross revenue is remorded by the Towers Com-

and then records its fee of 30%. anticipates collecting 30% of accounts accepted with with strategy standards. The Company Fees for collection services are recorded consis-

Property and equipment are stated at cost and are deprecated using the straight line method over the aximated useful lives of assets, ranging from a so year. Property and equipment

and minor repairs are charged to operations as provement, whichever is shorter. Maintenance rem of the lease or the estimated life of the im-Lessenold improvements are amortized over the

The Company has changed its method of עלסערנים בינ הינסשני בינ עבנחננת (אבי נוסני 9) Sureto Sustamosoy

Capital leases

For the beer Ended June 30, 1990

NOTES TO FENANCIAL STATEMENTS (communical

provide for monthly payments of \$13,215.00 for Company, for telephone equipment. The leases (1) Y The Company has lesses with RC1 Services

למי היה יכוז. provides for monethy payments of \$3,698.00 inc. for computer equipment. The lase The Company has a lease with Math 1, Corp

\$12,235.00 for seven years. brice: Cochouron for computer estributent The less provides for monthly payments of The Company has a lease with Adante Com-

. Acquisition

Collections Service, Inc. and Towers Leasing acquired Towers Credit Corporation, Towers In July 1986, Towers Francial Corporation Inc. (See note 15). Corಾಂದರಂ೧ from Professional Business Broken

Company pays five (5%) percent of its gross propenegr of pecoming a publicly raded Company per person expenses and pense browsion for exec The agreement is amended provides that the for a period of seven years commencing with Inc. The 1986 transaction wok place for the luly 1, 1988 to Professional Business Brokers

renegociating the terms of its agreement with Professional Business Brokers. The final cost is sell to be determined. current fiscal year. The Company is presently Brokers has extended a portion of its fee for the که of the statement date Professional Business

3. Accounts receivable

receivable and amounts watten down from accounts accepted for collection. Accounts serings assigned and/or purchased accounts Recoverable reserves are amounts held in reserve

> experience (See note 1) recoverable reserve, based upon historical the gross amount and the Company sets up a receivable accepted for collection are recorded at

by the Company msurance policy which has been obtained eccivable on be equipused by a chedic when they are determined to be uncollectible. Purchased accounts receivable are written off posses seament you beneface accounts

balance sheet. The details are as follows: תכביאבטוכ, חכד סון והנסאכיםple יביבראכו, סח ביוכ Nimberment has ejected to backet accounts

lune 30, 9861 1987

1988

Less: Recoverable Reserves

Account Receivable-Nec

\$61,270,590

set for monics due from client to Towers. Tower's fees and/or discounts, but subject to off funded. The amount payable is the balance after when the accounts accepted are collected and/or Amounts due clients is the balance to be paid

accounts receivable subject to an offering Towers Credit Corporation issued one and two ver promissory notes for the acquisition of

6. Long term debt

32610001

Accounts Receivable \$354,995,882 \$189,680,514 \$108,133,395

(177,840,436) (77,348,622) (46,862,805

\$177,155,446 \$112,331,892

t. Payable to dient

5. Notes payable

Towers Furancial Corporation and

אינ כוטובון וָכזאָנו

8. Income taxes The Company has filed भी स्टिटनो Corporate

Income ax remans through June 30, 1989

Rental expense charged to operations was \$1,117,157.

7. Operating leases

the Company is given the choice of redecting the earlier adoption is permitted. When adopted Company is not required to علاووt this statement until its year ending June 30, 1990, علاناه سوئا seporang sandards for the cares of income reactions and the second second effect of the change in the year of scopeon or of همه هربردا بعماد يوس عن صبحتهريم، درومزوم revised and excibilishes firmed accounting and issued in December 1987 and is presently being No. 96, "Accounting for Income Taxe", was Scientest of Financial Accounting Scindards during the current and preceding years. The

No. 96 and has redeezed the effect of the change Settement of Financial Accounting Sendards in the year of adoption. Accordingly the Company has elected to adopt

Defenred income axes results from the phase in permicaed by the Tax Reform Act of 1986.

९. ऽष्कष्ट्रकाता ल्याच

October 15, 1990. annum payable quarterly commencing of "AA" rated bonds at 10.20% interest per THRFC raised \$56,500,000 by the issuance of the Company. Purstant to a private place-Towers Healthcare Receivables Funding Corporation (THIRFC) was incorporated on mene memorandum dated July 19, 1990 March 27, 1990 as a wholly-owned subsidiary

menced a civil action against Towers experienced Sections 5(1) and 5(c) of the Section Act of Commession alleged that the party wolders unregistered securicis on August 4, 1988. The brue to the liegation) for the site of pಸಸ್ವವಾಗ, "Towes" includes the other named Creat Corporation, et. अ., (for purposes of this The Securities and Exchange Commission com-Securities and Exchange Commission v. Towers

the past, has agreed not to winder Section 5 in named in this literation and have also contend inand Mitchell Bratte, principals of Towers, were ₩ ಪ ಸರಾಧ್ಯರದ for rescission. Steven ∺offenberg was completed on January 22, 1989, whereby money market interact, which accession offer ment due under the offennes in explange for קיפת ווואפתשכעל זעק מעלם קינ שונת או ביאopportunity to actust or decline recession or the future. In addition, Towers provided inwithout admirting that it violated Section 5 in consent decree on November 22, 1988. Towers נכ אונותנו כסמצכעל פניבינון. \$3-67,431 out of approximately \$37,000,000 الطيونع بند الحرك عمه فيتود بمود وينتسقع جند 1953, as amended. The parties entered into a

has by court order posted a \$500,000 bond to secure the Company's liens in this matter. believes it will be fully victorious. The defendant Company is presently literating this chim and from Marine Charter and Storage Ltd. The Included in other receivables is \$510,786, due

is ರಾಗುತ್ತ resession and ರಾಗಾಕ್ಷದ, including a Diversified Corporation ("UDC") from whom it purchased \$2% of UDC. Towers in this section litigs to a segurate the previous owners of United אכבה שכנים של קרוכ גם נוץכ לעבטוסה? סואשכום return of 52,800,000 it invested in UDC. In a Towers and a subsidiary of Towers has inscinuted

For the Your Enced June 30, 1990

NOTES TO FENANCIAL STATEMENTS (communical)

INDEPENDENT AUDITOR'S REPORT

Kenneth J. Koock have not yet been issued (see

owners series to the \$3,500,000 pending the including missepropriation of \$5,500,000 of CDC funds, Towers has blocked the former Eilure to disclose material firancial information. Company is currently involved. הכסועם or iowers' כשוהיג. There is no other material litigation in which the

See Note 2 relating to the acquisition of Towers Inc. and Towers Leasing Corporation. Credit Corporation, Towers Collection Service, П. Сопилителени

12. Earning per share

one share of Towers Funancial Corporation. change fire; shares of O.G. Consulting, Inc. for of O.G. Consulting, Inc. have the right to caconversion agreement wherein the stockholders was reduced by 10,000 share. This resulted shares of common stock issued and outstanding Financial Corperation set sitte to settify the einary income and the issuance of 20,000 shares the sendement of chains redected in extraor-During the current fiscal year the number of There are presently 5,784 shares or lowers The securices to March H. Meyerson and bname to the agreement tegesed to above from the cancellation of 30,000 shares as part of

have not been restated. The esmings per share if reacted would be: note 14), and therefore the earnings per share 8 . 86 1989 7

Extraordinary income arose from serdement of 13. Extraordinary income

Financial Corporation and M.H. Meyeson and 14. Stock options Company, and agreed to by Marcin H. Meyer-Luzuant to an agreement between Towers

> and Kenneth J. Koock 50,000 shares. (See note as follows; Marcin H. Meyerson 50,000 shares ing the fiscal year ended June 30, 1990. The Company intends to formally used these shares son and Kenneth J. Koock, Towers was to issue 13 relating to extrings per stare) 100,000 shares of massued Company stock dur-

Chief Opening Officer, carried a stock option increase at 10 per cent per annum. securided was made by a note with simple cal Corporation. Payment of the optioned enciding him to 500,000 shares of Towers Finan-Mitchell Brates, Vice Chairman of the Board and

there financial sexements based on our audix

the interest was walved. The principal was paid on January 3, 1990 and The Securicies had not been issued in the two

bear gray hars' powerer are aromas bar spare

אואי לאבות המכותים.

emsaction between the Company and outstanding stock. See note 2 for details of the of seventy percent of the Company's issued and Professional Business Brokers Inc. owns in excess 15. Related paraids Professional Business Brokers Inc.

of income, changes in shareholders, equity, and subsidiaries as of June 30, 1990, 1989, and balance sheet of Towers Financial Corporation We have audited the accompanying consolidated Our reponsibility is to express an opinion on then ended. These formed sciences are the retained carnings, and cash flows for the years لحتمانا فرآب مزياد رحسفتناء ويستعدسون 1988 and the related consolidated statements

presentation. We believe that our audit provides دعاستمع ببد محصلا يستسجعا فتحصصاد SCITATES MACE by management, as well as accompand bunciples used and significant standards require that we plan and perform the a resonable basis for our opinion. satements. An audit also includes assessing the the amounts and disclosures in the financial camining, on a car basis, evidence supporting snegt an openiu tersousple szemence spont قتتاحيام باددغادم بالربصة مصارعتها البامعة marenal missaucment. An audit includes whether the linancial statements are free of We conducted our sudit in secondance with

سبي قدياطيتهام مدددفردم مددمسيسة فيسطفاها can flows for the years then ended in conformity the brancial position of Towers Financial to above present Eurly, in all maneral respects, In our opinion, the financial statements referred 1988, and the results of its operations and its Corporation as of June 30, 1990, 1989, and

ATT COLOR

באטנבייוףכי הז' 1980 New York, New York Marrin E. Basson, CPA, P.C.

10001950

ensures TFC a strong source of continued repayment in the most efficient time-frame,

revenue and a healthy return of avvestment unlizang its sophisticated collection expertise. business. The ability to realize substantial rates of continue to be important contributions to its ACCOUNTS RECEIVABLE MANAGEMENT constitution

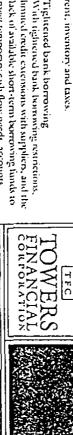
capabilities are used to close on the "purchased" accounts receivable. Through this service, TFC favorable rates of return, over and over again. receivables, thereby providing opportunities to collection process and its extraordinary recovery renivest us receivables portfolio at extremely discount of their face value. TFC's effective purchases credit-worthy accounts receivable at a

TFC is engaged in the outright purchase of

COMPONATE CHEDIT SERVICES

acrease demand anticipated

their own ongoing overhead expenses of payroll, flow demands grow for companies of all sizes rent, inventory and taxes. companies cannot afford to wait in order to meet schedules reaching 60, 90, 120 days or longer. and in all industries. With traditional payment The need for factoring increases each year, as eash



With tightened bank borrowing restrictions,

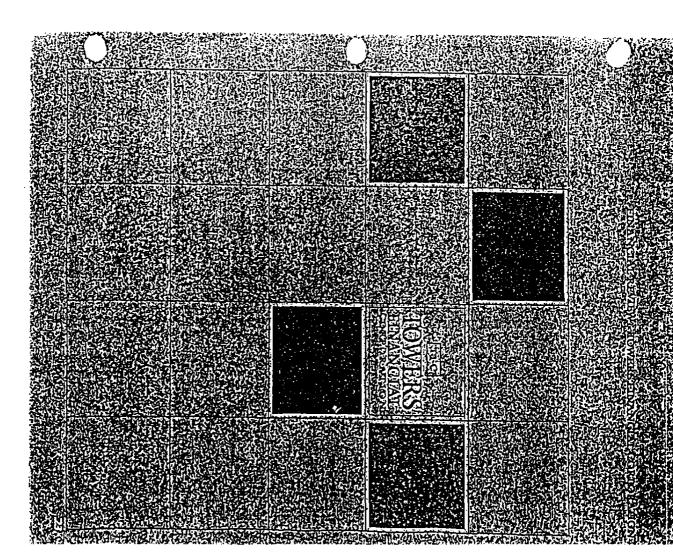
Tightened bank borrowing



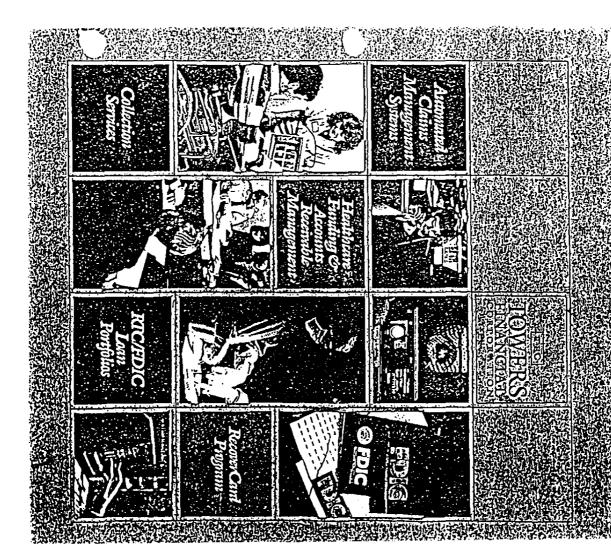
trade, finance, insurance and healthcare. tion, communications, wholesale and retail

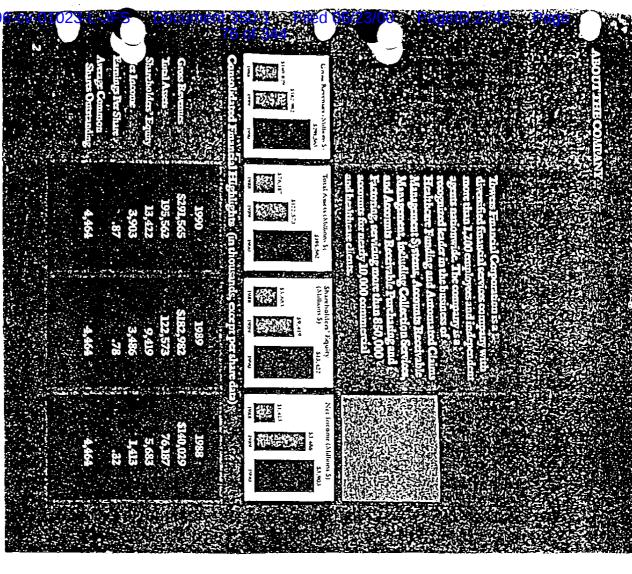
mdustnes including manufacturing, transportaare available to a broad spectrum of hims and easing this financial pressure. TEC credit services receivable factoring provides a viable means of meet temporary cash flow needs, accounts

FC's corporate credit or factoring services A healthy return of investment



Case 3:96-cv-01023-L-JFS





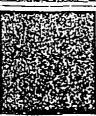












To Our Shareholders:

of the past year provides abundant verification a primary focus. The solid financial performance significant growth. Our position of leadership of our goals and direction services, has been strengthened and continues as in specifically identified segments of linancial It has been a year of opportunity and

germane to our experience and capabilities. areas of the figaneial services industry that are devised to identify and aggressively compete in We are in the third year of our strategic plan.

ment needs of the burgeoning \$660 billion universe of corporate America, and as a unique service responding to the funding and managethe more than 8 million companies within the premier accounts receivable collection service to Our primary marketing thraist continues as a

and growth. TFC has expanded into those Built upon years of intense resource development

potential within this receptive market added resources needed to pursue the vast substantial savings to TFC. It will provide

\$56,500,000, was 'self-underwntten' at

of two-year 1990 bonds rated 'AA' for

with Wall Street's first asset-backed healthcare can be applied directly, where our investment of receivables bound issue. TEC's first nited offering clains and collection management on-site. expenence at insurance companies and other on these needs, hiring analysts with top-level linancial environments in which our expense in this regard. TFC entered the bond market technology acceled to perform these functions time and resources can be justified by their long-)caltheare facility statis and takes over their proportiary software. TFC alone now trains intermediaties. Developing unique and ITC was one of the first to recognize and focus are in no position to maintain the training and personnel within inclustries such as healthcare term market poseintial...understanding that

LETTER TO SHAREHOLDERS:(continued)

customer base with a more attentive, responsive pennitied us to better service our expanded than ever before...from coast-to-coast. It has being planned, to more industries and localities market its current and new services and these zational structure that has allowed TFC to that has no equal. It provides a national organilaunched three years ago, and fully operational in The TFC financial services expansion program 1989, has resulted in a regional support system proach to their needs.

and exploit our imaginative programs. whether in our nanonal headquarters or in plattorm from which to launch, properly handle regional offices, provides TFC with a sound FC's experienced, extremely well-trained staff

Opportunity: Healthcare

and vigorously pushed, providing critically the country. recovery expertise to healthcare providers across needed funding, receivable management and S080 billion. It is a marker TFC had identified industry with annual revenues of more than hardware, has positioned TFC at the heart of an its unique and highly specialized software and Automated Claims Management Systems, with Healthcare Receivable Funding Program and its The introduction of the powerful lowers

Document 350-1

processing capabilities and skilled techniques. the program has succeeded in budging the Using experienced TFC support personnel. inbursement delays by third party reinbursers

called "Accelerated Collection Recall" and it is efficient manner. It is a TFC initiated system and reimbursement operations in a highly inherent to TFC's proprietary solovare. the ability of providers to conduct their biling and governmental agencies, while it enhances









incomparable combination of funding and vital Systems have become an integral part of many consumine up-to-date working knowledge of the dividual characteristics of each situation. With a services specifically constructed to reflect the inhealthcase providers' billing and collection processing, regulatory and claims requirements TEC delivers to the healthcare industry an its leadership position in the marketplace. offices. And in so doing, TFC has solidified the TTC Automated Claims Management of the entire spectrum of third-party reimburses

to draw endorsements from leading financial The growth opportunity in this sector continues

> securitization of healthcare receivables as a signiheant investment opportunity for the nineties. institutions. The banking community views the

> > into needed merchandise, office equipment.

coast-to-coast. This unique accounts receivable putting past due and dormant accounts to work size businesses and professional farms a means of management program offers small and medium Opportunity: RecoverCard 5N lar their operations. The innovative RecoverCard marketing concept has been received with unusual enthusiasm from

> RIC/FDIC Loan Portfolios New Opportunity:

credits. It's an attractive and flexible program ingful discounts, or to simply withdraw their travel, accommodations and services at mean-

recovery methods used for large corporations. In addition to the proven TFC collection and members to transform their delinquent accounts the RecoverCard program permits customer

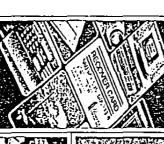


adding a new source of profitable business.

now recovering these loans on its own behalt. Company for a discount of their value. Utilizing partialios from the Federal Deposit Insurance entered into the business of purchasing loan this emerging market opportunity. Towers has resources to effectively realize their recovery. In and delinquent loans, without the stall and hundreds of billions of dollars worth of past due the Resolution Trust Corporation) has amassed hundreds of failed S& L banks, the FDIC (and In its capacity as receiver and liquidator of

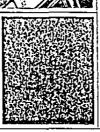
Leadership:

existing capabilities and its national network, it is









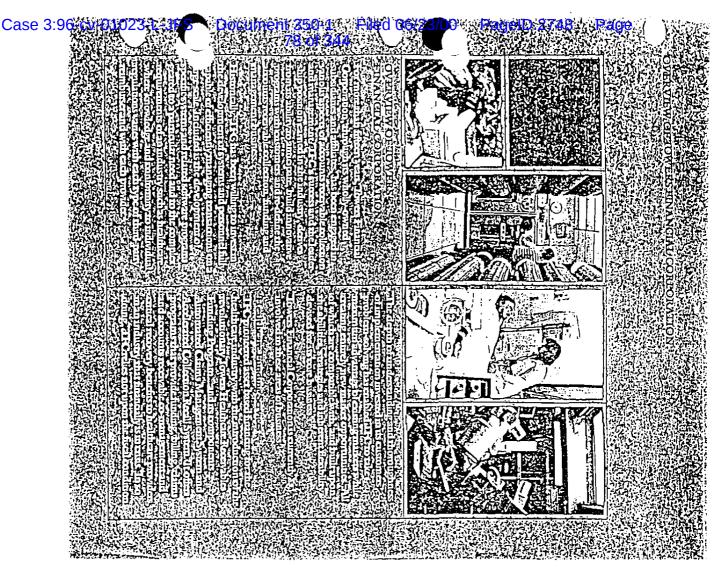
markets and establish solid positions in new ones at the threshold of what we believe will be a advanced software collection capability, we stand value to the company and to your shares. the innevativeness that has consistently added we will maintain our communitinent to nurture we continue to increase penetration of existing period of profound growth and profitability: . As businesses, investing in people and in the most Building upon our strength and around our core

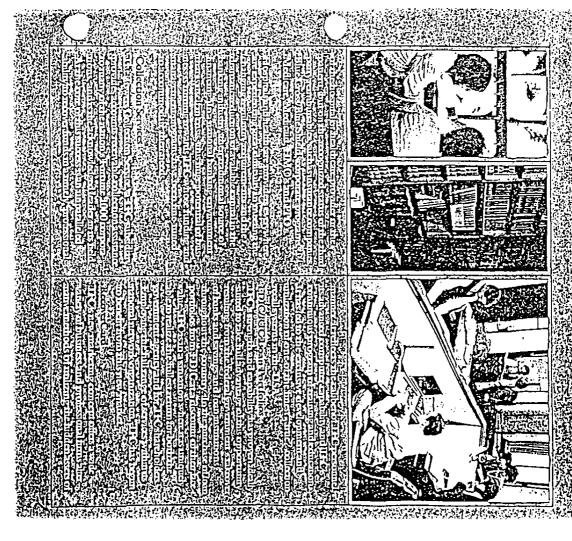


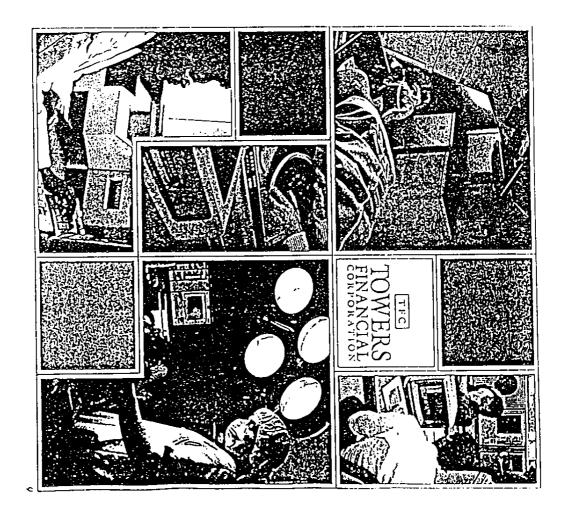
Ciannan of the Band and Chaf Executive Office Seeven Holienberg

Lord board

Vice Ciniman of the board and Chief Operating Officer Mitchell Batter







ACCOUNTS RECEIVABLE MANAGEMENT (continued)

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receivable collection, management and related recognized as one of the leading firms in accounts directed its full attention. this victually limitless potential that TFC has healthcare firms in operation nationally. It is to companies and additional thousands of but a portion of the approximately 8 million outstanding debt of over \$275 million for more ing and servicing) for more than 10,000 clients in and healthcare providers. TPC manages and than 850,000 accounts, nationwide. And this is 1000 companies. This involves managing the United States, including many of the Fortune recovers accounts receivable (including purchasfinancial services то согранате America, hospitals Towers Financial Corporation, after 15 years, is

COLLECTION SERVICES

ment made in the quality and caliber of TFC collections industry a heightened and consistent grams devised by TFC to realize these attributes standard of excellence and professionalism. It Over the years, TFC has brought to bear in the productivity...and from the transework of propeople, their effectiveness and their unequaled results, to a large degree, from the years of invest-

People, process and presence

capability, unique to TFC comprehensive scope of a computer processing status achieved by TFC can be attributed to this valuable human resource and the systems and the The dynamic growth and enviable industry

resources of the entire TEC organization. conditions. .as well as providing access to the and services that can be failured to local market marketing and sales offices and staffs. It provides fully operational national network of regional clients from coast-to-coast access to products Added to this state-of-the-art facility is TFC's National network

Collection is at the core

opportunities. It is evident in TFC's approach to strength to successfully exploit new market effect on existing businesses, as well as on its investment in this area has had a compounding paramount to its success and growth. TEC's TFC's unparalleled ability to recover funds is Loan Portfolios and RecoverCard. It is perhaps, most evident in the commanding position TFC new business ventures, such as the RTC/FDIC has earned in the healthcare industry:

in the speed with which it is accomplished. In measuring performance, TFC's ability to gain cesses and as a tribute to its professionals. client and debtor stands as a validation of its prorepeat business and maintain good will between the substantial recovery of past due accounts and Success is evident in TFC's outstanding record in

specialists, accountants, programmers and sales cost-effective performance and added business representatives...assuring a continued level of specialized skills and in the particular industries tean the extensive expenence in executing their the industries in which they operate. they serve. This is equally true of the marketing FFC has thus become closely identified with daims analysis, collectors and paralegals with The TFC team includes attorneys, insurance

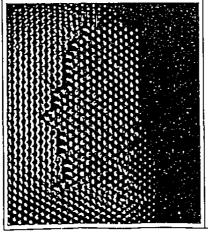
The knowledge, experience and proven capability

Education, a continuing process

benefits and tunely thinking to customers all are commonisty reviewed to maintain the niques, government or insurer policy changes at TFC for its personnel. Trends, procedures, techbilling and collection staffs. Lat their facilities or at of the training programs provided to customer of TFC professionals, have become the backbone TFC. Likewise, the educational process conjume PPC Team's skills...and their ability to deliver

The bottom line proof

responsibility to its shareholders. volume of accounts handled, the reserves they resulted in an increase in the amount and the uniform insistence on quality personnel...has data processing, systems development and the perfect accord with the goals of TFC and in its and cement relationships have proven to be in magains. Efficiencies that improve client service have generated and in significantly higher The investment over the years, in state-of-the-art



ACCOUNTS RECEIVABLE MANAGEMENT(continued)

PACTORING SPECYTCHS

business development activity on these growing business and has devoted a major share of its new to healthcare providers is a "breakthrough" for unique combination of services offered by TFC building blocks for growth and profitability. The opportunities....nrilizing the resources carefully leadership in collection services, they are basic programs undertaken in this regard. honed over the years. The following are key potential ver to be realized in this segment of financial services company. In tandem with nents of its strategic development as a diversified TEC lactoring services are fundamental compois industry. TPC is firmly convinced of the vast

& AUTOMATED CLAIMS MANAGEMENT SYSTEMS RECEIVABLE FUNDING PROGRAM THE TOWERS HEALTHCARE

to salvage a system that is in crisis. collection recovery and to gamer the fullest healtheare providers. It is a program designed กมารมนุ homes, professional groups and other lawful reimbursement to hospitals, clinics, Collection Recall system. It is geared to speed and the unique software of the Accelerated the expertise of Towers Senior Claims Analysis a predictable eash flow...in combustion with them with significant added working capital and the nation's endrattled healthcare providers. An mnovative, fast-time-ever program that provides lowers offers a unique financing opportunity for

has usually relied on governmental programs and quite enough on patient care to cover costs, and The Crisis in US Healthcare Financing The typical hospital, historically, has never carned private philanthropy to stay in the black. Over the

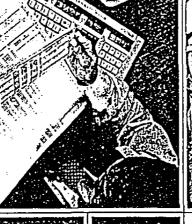
> the monumental efforts of its administrators and the best intentions of its trustees. been increasingly difficult to maintain, despite

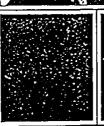
rural and urban, investor-owned and not-forcommunity healthcare facilities, large and small in serious danger of insolveney. рюби...ле юзащ въовее он рацент сате ана ате dramatized the fact that more than half the The growing rate of hospital closings has

cost controls and methods of payment based on of this worsening cash squeeze was the introfrom the provider's viewprout, a union cause Major changes intensify problems duction by the federal government of stringent











population; the AIDS epidemic; and the higher than what they actually spent. These federal what irospitals were supposed to spend, rather costs of had debt and charity care. shortages of nurses and staff; services for an aping high price of new technologies and drugs: mandates do not accommedate the need and

caught in a severe economic dilemna. longer exists. The mattor's healthcare facilities are a basis of costs and charges, and billings could be Previously, hospitals were paid retrospectively on losses and to case eash those. This situation no raised each year to recoup the previous year s

The economic dilemma

of stringent cost controls. They must wait longer an mereavingly larger banden of shortfalls from grows increasingly more complex. And they bear have rightened a claims review procedure that for repartment from third party reimbursers who Heatthcare providers must address inflation and Medican) and Medicare reinfoursements the costs of goods and services in an atmosphere

Costly homowing, when available

ACCOUNTS RECENTABLE MANAGEMENTaminual

downgrading of their credit ratings. available to healthcare providers. It reflects a condition, have districtly out back on capital extremely difficult. Banks, themselves in ensis source of hands for healthcare institutions. But closer binancial serutiny and to a subsequent bornowing from banking resources has proven subjects hospitals and either pion ideas to intich changed banking agudators environment which Borrowing has traditionally been the principal

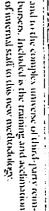
as recognized within the industry...led to the sources and the pressing reality of their situation components. Automated Claims Management development of the Towers Healthcare republied institutions levels of financial stability to their critically unique, affordable opportunity to restore higher landmark program offen healtheare providers a Receivable Funding Program and its on-site and Accelerated Collection Recall systems. This Development of the Towers programs Dire predictions from knowledgeable industry

> complex reinfunction possess, in addition to conduct billing, collection, insurance flings and accurate reimbursement in a highly effective and doctors, nursing homes and other providers to the undenable impensive recollect a greater approach to eash thos management. It is a by a need to gain control of an increasingly more for healthcare providers with a need to bridge In response to this growing need, TFC created a professional manner. program which enables hospitals, clinics, Program is a breakthrough, a revolutionary new partion of the lunds to which they are entitled. carners and state and federal governments...and the delays brought on by slow-paring insurance nationwide program that generates vital lunding The program The Timers Healtheare Receivable Funding

istrations, a comprehensive and knowledgeable array of benefits, systems and supervisory acumen specifically geared to their operations TFC provides, on-site, to host healthcare admin-Automated Clains Management Systems







Developed exclusively by TFC

anticipating and managing the most complicated healthcare industry. They are systems capable of technologies developed exclusively for the and the Accelerated Collection Recall System are сыны пываестен герыгелентя. the most advanced software and processing TFC's Automated Claims Management Systems

True collection recall

clauns management. and collection offices to supervise their insurance regulatory experts in provider billing any third-party reunbursement classification. ing the collection process step-by-step through (Accelerated Collection Recall) is capable of tractrain staff and stations expert claims analysts and The industry's only true collection recall system TECT's Automated Claims Management Systems

The demands

addressing those medical needs will be hardservices to the populations they serve. costly and labor-intensive tasks involved in the pressed to handle the complex, time-consuming the demands of a growing and rapidly aging As the inclustry continues its expansion to meet delivery of unrely and fully updated healthcare fiscal administration of those organizations. population, the people and institutions who are Their liest primary, misdeestandably, must be the



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over maniful sentium and to a subsequent with the of their credit raungs. de wing trom banking resources has proven (C) of hinds for bealthcare institutions. But The to healthcare providers. It reflects a teers bospatals and other pien wiers to much ned banking regulatory environment which whele difficult, Banks, themselves in crisis gion, have diastically out back on capital has traditionally feen the principal owing, when available

constanciats, Automated Claims Management weeksable Funding Program and its on-site Comment of the Towers programs reginized within the industry...led to the dynneur of the Towers Healthcare ecclemated Collection Recall systems. This sand the pressing reality of their situation letions from knowledgeable industry program offers healthcare providers a uncial scability to their entically rdable opportunity to restore higher

The program

complex reunivarsement process, an addition to the undeniable imperative to collect a greater by a need to gain control of an increasingly more carriers and state and federal governments. Land the delays brought on by slow-paying insurance namonwide program that generates vital hinding in response to this growing need. TFC created a portion of the lands to which they are entitled. for bealtheare providers with a need to landge

approach to cash thos management. It is a professional manner. accurate reimbursement in a highly effective and conduct billing, collection, insurance filings and dexions, naising homes and other privaters to program which enables hospitals, clinics, l'agam is a bicakthangh, a revolutionar nev The Toniers Fleattheare Recentable Funding

istrators, a comprehensive and knowledgeable TFC provides, on-site, to host healthcare adminarray of benefits, systems and supervisory Automated Claims Management Systems





of internal stall to this new methodology. bursers. Included is the training and acclimation and to the complex universe of third-party reun-

anticipating and managing the most complicated clains management requirements. healtheare industry. They are systems capable of technologies developed exclusively for the the most advanced software and processing and the Accelerated Collection Recall System are TFC's Automated Claims Management Systems Developed exclusively by TFC

True collection recall

insurance regulatory expens in provider billing clanus management. and collection offices to supervise their me the collection process step-by-step through min stall and stations expert claims analysis and TFC's Automated Claims Management Systems any ilind-party reimbursement classification. (Accelerated Collection Recall) is capable of trac-The industry's only true collection recall system

The demands

services to the populations they serve. delivery of timely and fully upstated healthcare costly and labor-intensive tasks involved in the addressing those medical needs will be hardhigh administration of those organizations. population, the people and institutions who are the demands of a growing and rapidly aging As the inchistry cumbinates its expansion to nicet vessed to handle the complex, time-consuming, Their first primitive, aniderstandably, must be the



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A greater need

see this greater demand for services and an even baids the medical and managenal sides, expect to in the years ahead, healtheare professionals, from increases in operating costs. The TFC programs higher degree of government intervention and stability and Injudity of program participatits. address these needs beadson, cusuring the fiscal

to harnee their accounts receivable. Most do not substantial assets or eash flow have been qualified payroll, rent and taxes without borrowing or to manage ongoing overhead expenses such as short-term financing as these lew; enabling them have the credit rating traditionally demanded Now smaller operations may enjoy the same Historically, only a few established firms with

Providing immediate payment

Document 350-1

ininiediate payment for accounts receivable due service lee) upon collection. Medicare: Following this initial hinding the profrom commercial insurance, Medicaid and gram pays the balance of the receivables (minus a Qualified healtheare providers receive significant

days for payment of their receivables having to wait up to 90, 120 or sometimes 180

Iowers applies its expertise

in many situations, TFC involvement includes delays, at the onser. After purchasing a hospital's and admittance procedures to prevent errors and of emplaine delays in payment from major insurthe framework of the host healthcare provider. the training of existing healthcare personnel and ance companies and government agencies, by A basic feature of the program is the climination Automated Claims Management Systems within the exclusive use of the software capability of its the hands due from third party reimbursers. As management and collection in order to recover TTC applies its extensive expertise at receivable receivables and providing inimediate hinding. elean' claims, plus a capability to edit processing building into the system an ability to generate

Claims process monitoring

systems put in place, the average payment evele is is able to monitor each step of the process. And as a result of its focus and the extensive in-house TPC's Automated Claims Management Systems care industry, its expenence and organization, Because of its unique knowledge of the healthdramatically reduced.

Other benefits

cessing ability, designed specifically to increase efficiency and create an additional audit control that are incorrect. Additionally, the program to reduce and climinate third party deductions For healthcare providers, other related program for all receivables generated each month. state-of-the-art, multi-million dollar data prouse of TFC's highly trained personnel and the helps to reduce internal stalling costs through claims submissions to circure quick payment and benefits include a thorough examination of

> speed full reimbinsement of al proparate in-house systems and controls to accounts receivable along with the establishment support, guidance and training for claims working capital available through factoring management staff involved in the collection of Claims Management System offers on-site improve delivery of services. The Automated terms...to increase purchasing power and to and as leverage in negotiating purchases and which can be used to reduce accounts payable. In addition, TFC provides a substantial fund of

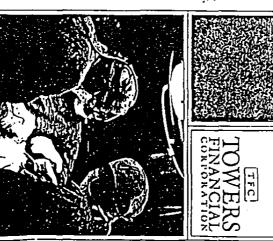
Additional chent services

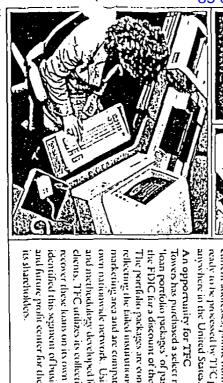
ten relating to healthcare and collection rights legislative issues, and to guidance on legal matworthiness, to direction on governmental and apply the him's expensive to a wide vanery of and other providers, regardless of size or sophiswhere TFC clients have access to a higher level of to financing assistance to improve firm's creditof bonds and debentures, to providing eash flow, clinies, medical groups, doctors, nursing homes counseling/management direction...hospitals. to assistance in ownership sale or restructuring. mancial management controls, to understrong roblems and challenges. From organization of tication...are provided with the opportunity to Reyand the specific program-related benefits.

The restoration of financial stability

attempts to deal with the demands they will face services are vital to the nation's well-being. stability to an overly regulated industry whose in the coming year. TFC into the forefront of the industry, as it It is this factoring recognition that has thouse necessary opportunity to restore financial healtheare professionals as a long awaited and ment Systems are viewed by many leading Program and the Automated Claims Manage The Towers Healtheare Receivable Funding









FDIC LOAN PORTFOLIO PACKAGES

of their unique combination of capabilities and of emerging marker opportunities. tolios is a prime example of the timely utilization TFC's entry in the purchase of FDIC loan portservices, and TFC's ability to take full advantage

Hundreds of billions of dollars

savings and loan institutions and local banks. As loans, worth hundreds of billions of dollars, and with a movintain of past due and delinquent receiver and liquidator of hundreds of failed congressional legislation, serves in the capacity as outstanding loans. they lack the ability to effectively collect these a result, these federal agencies are overwhelmed the Resolution Trust Corporation, created by A range of collectible accounts The Federal Deposit Insurance Company, and

ready to be processed by TFC personnel, current addresses, phone numbers... are supplied whether a company or individual. Names, loan portfolios packages for any given region are provided with pertinent data about the debtor, The outstanding loans included in the EDIC

recover these loans on its own behalf. TFC has chemis. TFC utilizes its collection capabilities to identified this segment of business as a current marketing area and are compatible to TFC's and future profit center for the company and and methodology developed for corporate own nationwale network. Using the systems reflecting the falled institutions, individual The portfolio packages are compiled by locale, the FDIC for a discount of their face value. loan portfolio packages' of past due loans from Towers has purchased a select number of these

ELIVABILES MILLSON SALLA ICS CO م

THE RECOVERCARD PROGRAM

its past due debts to work. TFC's ReceiverCare A unrique and sensible was for a company to put receivables into usable, and enjoyable assets program enables a company to turn its tough For business and professional firms

recovery methods to enhance their ability to service companies. The program utilizes proven of America's business and professional firms... prosper in teday's competitive environment. doction, clinics, publishers, manufacturers and for retailers, healthcare providers, dentists, improve the cash flow and the purchasing power The RecoverCard program was designed to

Document 350-1

(aximum flexibility

members maximum flexibility in harnessing goods and services or dollar ... travel, hotels, cheeks, unpaid invoices and delinquent credit their hrm's hidden revenue potential. Their bad sales can be turned into the most demanded restaurants, sales trips, renting or leasing cars ne ReceiverCard program allords each of its

> furnishings and services, desirable consumer contributions and even tuition for employees. products, perks, employee meentives, chartable updated office or technical equipment, office

It's not a credit card

innovative mass buying service with Towers the Towers Recovery Program and the Mass or company membership acceptance into both payments, no credit cheeks, no imminums, no Receiver Cand has no interest rates or monthly it's more like money in the bank. The Collection's proven recovery expertise. Discount Buying Program... which couple an preset limits. RecoverCard guarantees any firm

Good fiscal sense, good times

As members' unpaid accounts are turned over to copier or fax machine, a dream vacation, had credit into good business and good times. to work. Whether it's a business trip, a new quickly, hidden assets are accessible, ready to go their purchasing power increases. And just as Balances begun to build quickly. As it grows. lowers Collection, their RecoverCard Account payments to a vendor...RecoverCard transforms

Mass purchasing power

merchandise offered through its membership bruchasing bower by selecting from quality. mass buying program and maximize their the high volume economies of RecoverCard's RecoverCard members can take full advantage of

at the best possible prices. It's an advantage A full color catalog, plus regular offerings of access to the most needed and wanted products, additional discounted merchandise, permuts provided by a TFC core capability. ing consortiums. It is an added level of service usually reserved for large corporations and buy Mass Discount Buying Program Catalog





As RecoverCard Account Balances grow,

deposited to a company's bank account. American Express or Diners Club...or can be to TFC, can directly pay Mastercard, Visa, build as their domnant accounts are turned over anything, Members' Account Balances, which copien, printing, services, raw materials...almost computers, business machines, phones, faxes, merchandise and navel. It provides easy access to due accounts. The program goes beyond a RecoverCard member's most troublescome past a-cars, hotels, motels, restaurants...all paid for by Pre-paid airfare, trainfare, travelers' checks, rentso do the options and opportunities it's a RecoverCard member's choice.

An attractive program

knowledge of residual values of equipment.

reassessing its involvement in this area. are flexible and reasonable. TFC is currently wound economic fundamentals, and terms that leasing programs that are based on reliable equipment involved, and the particular client

reeds. Emphasis is placed on development of

medium size firms, has been very strong. The justified management's expectations. communities and the enthusiasm exhibited by targeted at the nation's millions of small and The response to the new RecoverCard program, positive reaction by the business and professional FC sales representatives have more then

EASING SERVICES

medical equipment, telephone systems, printing equipment such as computers, airplanes. qualified clients, depending on the type of TFC arranges financing or operating leases for organizations for the purpose of leasing capital municipalities, government agencies, and other provides linancing to credit-worthy companies. Timers Leasing Corporation, a TFC subsidiary presses, and a vast array of inclustrial machinery



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HEET: ASS

	1990	1989	1988
Current Assets:			
Cash and cash equivalents	59,193,566	5 3,825,765	\$ 8.534.869
Accounts receivable - net (note 3)	177,155,446	112.331.892	61,270,590
Other receivables (note 10)	1,061,555	606,595	1.816,255
Prepaid interest	87,732	45,613	
Total current awets	187,498,299	116,809,865	71,621,714
Fixed Assets:			
Lasehold improvements	357,812	295.300	69.985
Furniture and equipment	4,211,161	1,384,786	951,937
	4,568,973	1.680.086	1,021,922
Less accumulated depociation			
and amortization	(994,479)	(581,923)	(361,711)
	3,574,494	1,098,163	(40,211
Investments (note 10)	2,805,500	3.376.241	3,600,000
Security deposits	515,812	662,913	30H.979
Prepaid interest - Net of current portion	709,831	375,823	
Note receivable officer (note 14)	•	250,000	•
Goodwill (note 2)	458,414		
Total assets	\$195,562,350	\$122,573,005	576,186,904

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Case 3:96-cv-01023-L

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Total liabilities and stockholders' equity Commitments and contingent liabilities (notes 2 and 11) Tional stockholders' equity Sharcholders' equin Total long term habitues Current habilities: Total liabilities Long term liabilities: Total current liabilities Subscribed - 100,000 shares (note 14) Permitted capaints Capital stock issued, outstanding and subscribed - 4,56H, 220 (note 14) Capital stock (.001 par value) Authorized - 10,000,000 shares; Current portion of long terms debt (note 5) Issued and outstanding- 4,464,220 shares Deferred income raxes (note 8) Took teast Survi Notes payable (note 5) less current portion Income taxes payable (note 8) Accounts payable and account expenses Due to clients (note 4) Excess of fair value of assets acquired over cost (note 2) \$195,562,350 \$64,880,237 7,185,666 31,321,000 13,725,633 450,000 12,971,937 61,136,894 3,049,133 841,850 13,421,937 182,140,413 65,027,877 117,112,536 350,000 1990 \$122,573,005 \$52,501,911 1,860,188 27,096,387 6,584,201 21.621,159 964.559 1.683,700 113,153,817 \$8,042,687 350,000 9,069,188 9,419,188 25.111.130 100,000 250,000 841,712 68.9 576.186,90H \$31,606,396 2,338,679 7,313,629 23,525,000 2,558,150 2,558,150 5. 井. 小 100,000 5.583,072 70.503.852 27.059.378 5,683,072 2.385,730 S41,712 100,000 19,8,8

As of June 30,

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The accompanying notes are an integral part of the financial statements.

Case 3:96-cv-01023-L-JFS

1023-L-JF Document 350- 88 of	·1 344	F	iled	06/2	23/	0	•	P	age	ID.	27	58	F	Pa(ge
	Average common shares outstanding	Nes income	Income before provision for taxes Provision for income taxes (note 8)	Less: Loss on sale of securities Add: Extraordinary item			Interest on notes	General and administrative	Operating expenses Salaries and benefits Selling	Gross profit	Less recoverable reserve		Gross Revenues Purchases and cost of services		
	.87 4,464,220	\$3,902,749	10,202,749 6,300,000	1,089,246	9,113,503	46,729,334	10,456,292	14,701,687	14,012,973 7,558,382	55,842,837	153,331,451	209,174,288	\$291,565,160 82,390,872	1990	I
	.78 4,464,220	53,486,116	6,813,102 3,326,986	(128,169)	6,941,271	29,406,165	6,868,423	8,498,538	9,487,151 4,552,053	36,347,436	77.082.895	113,430,331	\$182,982,043 69,551,712	1989	Fiscal year ended June 30
	.32 4,464,220	\$1,413,497	3,069,397 1,655,900	298,802	2,770,595	17,817,801	2,457,833	7,065,718	5,660,552 2,633,698	20,588,396	65,145,531	85,733,927	\$4,294.965 \$4,294.965	8861	ine 30,

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3 902 749	\$9,069,188	1990	
3 486 116	\$5,583,072	1989	As of June 30,
1413 497	\$1.169.575	SSAL	

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance - End of year Relance - Reginning of year Net Income

\$12,971,937

\$9,069,188

\$5,583,072

Š

Cash and eash equivalents at end of year

\$9,193,566

53,825,765

SS,534,869 3,580,621

INCREASE (DECIEASE) IN CASH AND EQUIVALENTS CONSOLIDATED STATEMENT OF CASH FLOWS

		Years Ended June 30	30.
	1990	1989	1988
Cash than from operating activities:	\$3,902,749	S3.486.116	264'214'15
Adjustments to reconcile net earnings to net cash provided by operating activities			3
Rad debt - mites receivable Percedation and amortization	412,556	220,908	905.00
	4,315,305	3,707,024	1.632.386
Changes in assets and liabilities:		(5) 06) 30%	(16 951.028)
Accounts acceivable (net)	(02,023,334)	1 209,660	(1.526,733)
Other receivables	(42.119)	(45.613)	•
l'appadantensi	(186,907)	(983,757)	(\$20,621)
Dan tax elization	12,378,326	20,895,515	(3.270,537)
Proble and account expenses	5,325,478	(478,491)	1,5/2,8-1-1
Account and deferred income taxes (net)	6,299,582	3,324,001	1,655,700
Net eash (used) for operating activities	(37,188,849)	(13,432,963)	(17,066,226)
Cash flows from investing activities: Capital expenditures, net of minor disposals Acquisition/(disposition) of investments Acquisition of gaodwill	(2,886,887) 570,741 (1,300,126)	(658.860) 223,759	(522,138) (3,600,000)
Net cash (used) in investing activities	(3,618,272)	(435,101)	(4,122,138)
Cash flows from financing activities: Increase in capital stock	350,000		•
Increase in capital stock subscribed	4.224.613	250,000 19,982,758	7,105,130
Increase (decrease) in long tenn debt	41,600,300	(1,073,798)	19,037,482
Net cash provided by financing activities	46,174,922	19,158,960	26,142,612
Net increase (decrease) in	247 801	(4 709 104)	4.954.248
Cash and cash equivalents	3 825 765	8.534.869	3,580,621
Carried and a second se		25.052.22	078 112 83

Corporation, Towers Collection Service, Inc., Corporation, RecoverCard Corporation of able through Towers Financial Corporation and as Transcon Adjustment Group Ltd., founded in America and Towers Flealtheare Receivables Towers Lessing Corporation, TFC Funding its wholly owned subsidiaries, Towers Credit acquisition and management of accounts receiv-1975) is a diversified company operating in the Basis of presentation Towers Financial Corporation (formerly known l. Summary of significant accounting policies

sidian; in October, 1987. (See Note 10). Diversified Corporation, a wholly owned sub-Towers Financial Corporation formed Towers Funding Corporation.

were acquired in July 1986, by Towers Financial Service, Inc. and Towers Leasing Corporation Towers Credit Corporation, Towers Collection incorporated as follows: independently audited and consolidated for financial statements for each subsidiary was Corporation, a publicly listed company. The resentation berein. The subsidianes were

Towers Civilit Corporation - January 1984
Towers Collection Service, Inc. - April 1980 TFC Funding Convocation November 1989 Towers Leasing Corporation RecoverCard Corporation lowers Collection Service, Inc. January 1990 March 1985

Towers I Jealthcare Receivables of America

of becoming a publicly traded company. The 1986 acquisitions took place for the benefit Funding Corporation March 1990

owned subsidiaries after climination of material intercompany accounts and transactions. Operations and consolidations the accounts of the Company and its wholly The consolidated financial statements include

Statement of eash flows

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 1990

changes in financial position. ment of cash flows in place of the statement of Financial Accounting Standard No. 95. "State-ment of Cash Flows", and is presenting a state-In 1987, the Company adopted Statement of

income taxes was none in 1989. 1989, and \$2,264,696 in 1988. Cash paid for interest was \$12,320,486 in 1990, \$6,727,987 in provided in related disclosures. Cash paid for disclosures to the statement of cash flows be FAS 95 requires that the following supplemental

operations through receiving an increasable assignment of all claims accepted. rendered by its factoring and collection The Company derives income from services Revenue Recognition

and then records its fee of 30%. anticipates collecting 50% of accounts accepted tent with industry standards. The Company panies when accounts receivables are assigned. Gross revenue is recorded by the Towers Comliers for collection services are recorded cousis-

are depreciated using the straight line method from S to 5 years. over the estimated useful lives of assets, ranging Projectry and equipment are stated at cost and Property and equipment

and milnor repairs are charged to operations as incurred. provement, whichever is shorter. Maintenance term of the lease or the estimated life of the im-Leasehold improvements are amortized over the

reporting for income as returns (see note 8). The Company has changed its method of Accounting change

The accompanying notes are an integral part of the financial statements.

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Capital leases

provide for monthly payments of \$13,215.00 for Company, for telephone equipment. The leases The Company has leaves with RCA Services

tive, for computer equipment. The lease for five years. provides for monthly payments of \$3,698.00 The Company has a lease with Mach 1, Corp

\$12,235.00 for seven years. The Company has a lease with Atlantic Comhe lease provides for monthly payments of mer Corporation for computer equipment

2. Acquisition

In July 1986, Towers Financial Corporation acquired Towers Credit Corporation, Towers Corporation from Professional Business Brokens Collections Service, Inc. and Towers Leasing Inc. (See note 15).

Company pays five (5%) percent of its gross pro-The agreement as amended provides that the benefit of becoming a publicly traded Company. for a period of seven years commencing with fits before expenses and before provision for taxes inc. The 1986 transaction took place for the uly 1, 1988 to Professional Business Brokens

current fiscal year. The Company is presently As of the statement date Professional Business renegotiating the terms of its agreement with Brokers has extended a portion of its fee for the .till to be determined. rolessional Business Brokers. The final cost is

3. Accounts receivable

against assigned and/or purchased accounts accounts accepted for cullection. Accounts receivable and amounts written down from Recoverable reserves are amounts held in reserve

> recoverable reserve, based upon historical experience. (See note 1) the gross amount and the Company sets up a receivable accepted for collection are recorded at

insurance policy which has been obtained when they are determined to be uncollectible by the Company. receivable can be reimbursed by a credit Purchased accounts receivable are written off Losses sustained from purchased accounts

receivable, net of recoverable reserves, on the Management has elected to present accounts

une 30,

8

Accounts Receivable

(177.840,436) (77,348,622) (46.862.805)

\$177,155,446 \$112,331,892 \$61,270,590

set for monies due from clients to Towers when the accounts accepted are collected and/or Amounts due clients is the balance to be paid funded. The amount payable is the balance after Tower's fees and/or discounts, but subject to off-

6. Long term debt

balance sheet. The details are as follows:

1988

Less: Recoverable Reserves \$354,995,882 \$189,680.514 \$108,133,395

Accounts Receivable-Net

4. Payable to clients

5. Notes payable

memorandum. accounts receivable subject to an offening year promissor, notes for the acquisition of Towers Financial Corporation and Towers Credit Corporation issued one and two

See capital leases.

7. Operating leases

Rental expense changed to operations was

Income tax returns through June 30, 1989. 8. Income taxes The Company has filed all Federal Corporate

until its year ending June 30, 1990, although Company is not required to adopt this statement issued in December 1987 and is presently being rescating any number of years. earlier adoption is permitted. When adopted, during the current and preceding years. The taxes which result from an enterprise's activities reporting standards for the effects of income revised and establishes financial accounting and effect of the change in the year of adoption or of the Company is given the choice of redecting the Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", was

in the year of adoption. Statement of Financial Accounting Standards No. 96 and has reflected the effect of the change Accordingly the Company has elected to adopt

to similar consent decrees.

named in this litigation and have also entered in

Deferred income taxes results from the phase in permitted by the Tax Reform Act of 1986

9. Subsequent events

annum payable quarterly commencing of "AA" rated bonds at 10.20% interest per ment memorandum dated July 19, 1990 of the Company: Pursuant to a private place-March 27, 1990 as a wholly-owned subsidiary THREC mised \$56,500,000 by the issuance Corporation (THIVFC) was incorporated on Towers Healthcare Receivables Funding

consent decree on November 22, 1988. Tower was accepted for rescission. Steven Hoffenberg \$347,431 out of approximately \$37,000,000 money market interest, which reseission offer ment due under the offerings in exchange for the past, has agreed not to violate Section 5 in and Mitchell Brater, principals of Towers, were was completed on January 22, 1989, whereby opportunity to accept or decline reseission of vestors in TCC's two prior note offerings the without admitting that it violated Section 5 in Sections 5(a) and 5(c) of the Securities Act of Commission alleged that the parties violated unregistered securities on August 4, 1988. The paragraph, "Towers" includes the other named The Securities and Exchange Commission com their investment, and forego the interest paythe future. In addition, Towers provided in-1933, as amended. The parties entered into a parties to the litigation) for the sale of Credit Corporation, et. al., (for purposes of this Securities and Exchange Commission v. Towers menced a civil action against Towers captioned

has hy court order posted a \$500,000 band to secure the Company's liens in this matter. Company is presently litigating this claim and from Marine Charter and Storage Ltd. The believes it will be fully victorious. The defendan neluded in other receivables is \$510,786, due

it purchased \$2% of UDC. Towers in this action is claiming rescission and dantages, including a return of \$2,800,000 it invested in UIX. In a Diversified Corporation ("UDC") from whom litigation against the previous owners of United Towers and a subsidiary of Towers has instituted separate action, due to the previous owners

Financial Corporation and M.H. Meverson and

Company; and agreed to by Martin H. Meyer-

Parsuant to an agreement between Towers

claims.

14. Stock options

Extraordinary income aruse from settlement of

 Extraordinary income œ. 199(1 restated would be:

have not been restated. The carnings per share if

1989 .76

1988

note 14), and therefore the earnings per share Kenneth J. Kexek have not yet been issued (see

owners access to the \$3,500,000 pending the including misappropriation of \$3,500,000 of resolution of Towers' claums. UDC funds, Towers has blocked the former failure to disclose material financial information.

Company is currently involved. There is no other material litigation in which the

11. Commutanents

Credit Corporation, Towers Collection Service. inc. and lowers Leasing Corporation. See Note 2 relating to the acquisition of Towers

2. Earning per share

conversion agreement wherein the stockholders dinary income and the issuance of 20,000 shares shares of common stock issued and outstanding one share of Towers Financial Corporation. change hits shares of O.G. Consulting, Inc. for of O.G. Consulting, Inc. have the right to ex-Financial Corporation set aside to satisfy the During the current fiscal year the number of There are presently 5.784 shares of Towers parament to the agreement referred to above the sendement of claims reflected in extraorfrom the existed ation of 30,000 shares as part of was reduced by 10,000 shares. This resulted The securities to Martin H. Meyersan and

Filed 06

have been restated. the interest was waived. 15. Related parties

and Kenneth J. Koock 50,000 shares. (See note as follows; Martin H. Meyerson 50,000 shares Company intends to formally issue these shares ing the fiscal year ended June 30, 1990. The 12 relating to carnings per share.) son and Kenneth J. Kixick, Towers was to issue 100,000 shares of unissued Company stock dur-

entiding him to 500,000 shares of Towers Finan-Clue! Operating Officer, exercised a stock option cial Corporation. Payment of the optioned Mitchell Brater, Vice Chairman of the Roard and interest at 10 per cent per annunt. securities was made by a note with simple

The principal was paid on January 3, 1990 and

prior fiscal years, however, the carnings per share The Securities had not been issued in the two

outstanding stock. See note 2 for details of the of seventy percent of the Company's issued and transaction between the Company and Professional Business Broken Inc. owns in excess Professional Business Brokers Inc.

> then ended. These financial statements are the retained earnings, and eash flows for the years of income, changes in shareholders' equiry, We have audited the accompanying consolidated balance sheet of Towers Financial Corporation responsibility of the Company's management and subsidiaries as of June 30, 1990, 1989, and 1988 and the related consolidated statements

these financial statements based on our audit

Our responsibility is to express an opinion on

a reasonable basis for our opinion. estimates marke by management, as well as accounting principles used and significant statements. An audit also includes assessing the whether the financial statements are free of audit to obtain reasonable assurance about generally accepted auditing standards. Those evaluating the overall financial statement the amounts and disclosures in the financial examining, on a test basis, evidence supporting material misstatement. An audit includes standards require that we plan and perform the We conducted our audit in accordance with presentation. We believe that our audit provides

with generally accepted accounting principles. cash flows for the years then ended in conformity the financial position of Towers Financial to above present fairly, in all material respects, In our opinion, the financial statements referred 1968, and the results of its operations and its Corporation as of June 30, 1990, 1989, and

New York, New York

September 12, 1990 Marvin E. Basson, CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

OFFICERS AND DIRECTORS

Transfer Agency and Registrar The Chase Manhattan Bank, N.A. Chie New York Plaza, New York, NY 118181 Producer Rose Cosets & Mendalsonn 1585 Britadway, New York, NY 10036 1650 Farnam Steet, Omaha, NE 68102 Chammand the Board.

Mesca Hodenberg Board of Directors

Advisor Hoard

Management

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Charles H. Chugerman Executive Vice President. 777.15 and Fresident hoverstandings ration

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and Chief Operating Officer hovers binancial Corporation Vice Chairman of the Beard Mitchell Brater esskin and weed bunneal Carporation not have once Other The Evans George List Washington, DC Former Co-Charman Former Senior Member, Commune: and Republican National Trouble mica States

Marchell Brater

Ken Harries Direct Club International Chairman William D Fugazy House of Representatives The Housesthe regary International

Charles H. Chagerman Executive Vice President. Chief Legal Officer and Assistant Secretary Sement Vice President. Michael Bowill, I'm fewers beautif Corporation imers Financial Conjuntations

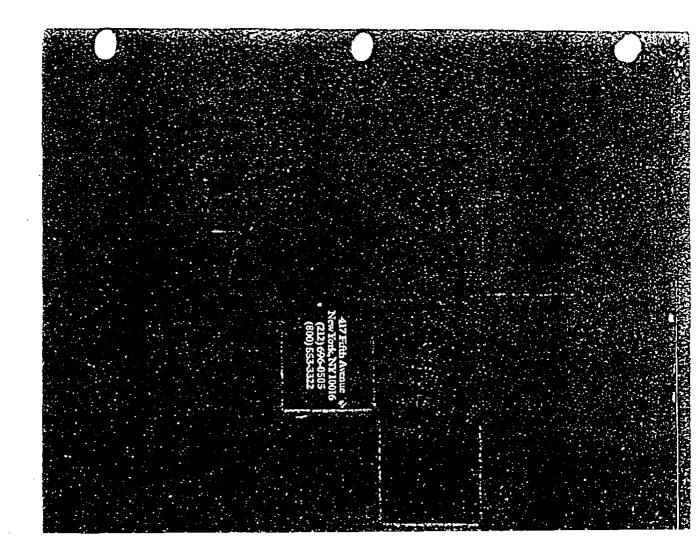
Timers Financial Corporation Vice President Namer Elveli Tomer Financial Conjunction Authory D.Xanda howers manufaction SOME VICE President

WERS TEC

Annual Meeting of Shareholden

The Annual Meeting of Stockholder of Towers Financial Computation will be held on Tuesday. Noweather 20, 1990a at Historia of Copyriate Headquarters at 41° Fifth Account. New York, NY 19016.

Charman of the found Chief Laccurac Officer and Cluef Operating Officer
Timers Financial Corpuration Vice Chairman of the Board hweistmantaltagramm Messen Hodfenberg Vac President Timers Financial Corporation Tenco Financial Carparation Vice President Raymond Lewis Towers Financial Conjunation General Counsel Jamel Mangadina, Leep <u>Тамкех Еправода!Севрчиствят</u> and Chart'l many of Other A Infinitely and the second Director of Siles Laura L. Carriell Timen Financial Corporation the fresherm and Richard Levine Vice President-Soles Secential Branch Sales прете И. Масшын فيعتجم فيمته بمالا تبيهه وعليمها American



CONFIDENTIAL PRIVATE OFFERING DOCUMENT

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DATED: October 15, 1991

For: Accredited Investors Only

\$100,000,000 In Recourse Promissory Notes TOWERS FINANCIAL CORPORATION

Bearing Interest At The Rate Of 12% Per Annum For 12-month Promissory Notes And 14% Per Annum For 24-month And 36-month Promissory Notes Due From Major Insurance Companies, Commercial Accounts Collateralized, Secured And Backed By Accounts Receivable Receivable And Loans And Accounts Receivables Purchased From Governmental Agencies

Per Unit (minimum offering is one Unit) Total 1,000 Units (maximum offering) . . of 4% per Unit will be Sabacription Price Psychia Upon Sabteription \$ 100,000 \$ 4,000(4%) \$4,000,000(4%) \$ 96,000(96%) Preceeds to

the Amounts allocated to commissions which are not paid will increase the Acceptance | 1.2% in the algertaske. Commun Promiser | 1.2% in the algertaske. Commun Promisery Notes and an additional amount of early in the algertaske. paid one year from Sale and Acceptance a nasions of 4% per Unit will be paid from a equal to 4% of the Subscription Price will

Offeree Number:

This Offering Document Does Not Constitute an Offer to Any Person Other Than:

Name

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417 FIFTH AVENUE, NEW YORK, NEW YORK 19016 (212) 6%-0505

men Flacostal Corporation. appropri (191), Ast Rights Reserve

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will maintain as collateral for this offering Accounts Receivable in a face amount equal to the amount raised by this Offering which is outstanding from time to time. The Healthcare Receivables will be receivables of or (iii) receivables and loans purchased from the Federal Deposis Insurance Corporation ("FDIC") and/or chased from manufacturers, wholesalers and service companies (the "Business Accounts Receivable"); and/ major unions, private insurers, worker's compensation payors, personal injury payors, and all other third Resolution Trust Company ("RTC") or from secondary sources (the "FDIC and RTC Receivables"). Towers and other healthcare providers (the "Healthcare Receivables"); (ii) Business Accounts Receivable puronly, 12-month, 24-month and 36-month Promissory Notes which are recourse to Towers, secured, collateral-tred and backed by (i) Healthcare Accounts Receivable purchased from hospitals, doctors, medical groups lectively referred to as the "Accounts Receivable"). party reimbureers. The Business Accounts Receivable will be receivables of and payable by commercial business and payable by, major insurance companies such as Blue Cross/Blue Shield, state governmental agencies issets (the Healthcare Receivables, Business Accounts Receivable and FDIC and RTC Receivables are col nesses. The FDIC and RTC Receivables will be purchased at auction and, in some cases, may be secured by Towers Financial Corporation ("Towers" or the "Company") is offering for sale to Accredited Investors

be payable monthly or quarterly at the option of the Investor. the terms set forth herein as may be amended from time to time and subject to federal and state securities laws and regulations. The 12-month Promissory Notes will bear interest at the rate of 12% per annum, and the 24-month and 36-month Promissory Notes will bear interest at the rate of 14% per annum. Interest Investors will have the option upon maturity to reinvest the proceeds of the Promissory Notes, subject to

GLOSSARY. CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANING SET FORTH AT

VESTORS AS DEFINED HEREIN (SEE "GLOSSARY"). THIS DOCUMENT IS CONFIDENTIAL AND MAY ONLY BE SHOWN TO ACCREDITED IN

AUTHORITY OF ANY STATE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION THE SECURITIES AND EXCHANGE COMMISSION OR BY THE SECURITIES REGULATORY TO THE CONTRARY IS A CRIMINAL OFFENSE THE UNITS HAVE NOT BEEN REGISTERED WITH. OR APPROVED OR DISAPPROVED BY

OFFERING AND PRIOR TO THE SALE OF ANY UNITS. THE OPPORTUNITY TO ASK QUES-QUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE OF TOWERS CONCERNING ANY ASPECT OF THE INVESTMENT AND TO OBTAIN ANY ADDI-ACCURACY OF THE INFORMATION CONTAINED HEREIN. TIONAL INFORMATION, TO THE EXTENT TOWERS HAS SUCH INFORMATION OR CAN AC TIONS OF AND RECEIVE ANSWERS FROM ANY PERSON AUTHORIZED TO ACT ON BEHALF TOWERS SHALL MAKE AVAILABLE TO EACH INVESTOR, OR HIS AGENT, DURING THIS

THIS OFFERING IS ACCOMPANIED BY THE COMPANY'S 1991 ANNUAL REPORT INCLUDING AUDITED FINANCIAL STATEMENTS. WHICH IS BOUND UNDER SEPARATE COVER. IN THE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUTHER PROSPECTIVE AUTHER PROSPECTI EDGE THE RECEIPT OF THE ANNUAL REPORT AS A CONDITION OF THE SUBSCRIPTION DITED REPORT NO OFFER IS MADE HEREBY. INVESTORS ARE REQUIRED TO ACKNOWL ACREEMENT

TANCE OF OFFERS TO PURCHASE SUCH SECURITIES WHICH ARE TENDERED TO TOWERS BY PROSPECTIVE INVESTORS. NO SOLICITATION OF ANY SUCH OFFER (INCLUDING ANY SOLICITATION WHICH MAY BE CONSTRUED AS AN "OFFER" UNDER FEDERAL AND/OR STATE SECURITIES LAWS) IS AUTHORIZED WITHOUT THE PRIOR APPROVAL OF SUCH PROSPECTIVE INVESTOR BY TOWERS. SALES OF THESE SECURITIES CAN BE CONSUMMATED ONLY BY TOWERS' ACCEP

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTAWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTABLE. MENT FOR AN INDEFINTIE PERIOD OF TIME (SEE "RISK FACTORS").

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FIRM WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION. DESPITE THE INCLUSION OF THE LEGENDS BELOW. BROKER-DEALERS MUST CON-

CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATE-MENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SE A CRIMINAL OFFENSE PLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS CURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES. NOR DOES IT PASS UPON THE ACCURACY OR COM FOR ALABAMA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A

FOR ALASKA RESIDENTS ONLY: THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE ADMINISTRATIOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF JAC 08 503-) ACC 08.505. ACC 18.505. THE INVESTOR IS ADVISED THAT THE ADMINISTRATIOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS. RECOMMENDED OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF AS 45.55.170

CURTIES THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERTIS AND RISKS INVOLVED. IN MAKING AN INVESTMENT DECISION ON THESE SE

PURSUANT TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION THAT THIS OFFERING DOCUMENT IS TRUE OR ACCURATE. NOR DOES SUCH GRANT OF OTHERWISE APPROVED THE SECURITIES DESCRIBED HEREIN EXEMPTION MEAN THAT THE COMMISSION HAS PASSED UPON THE MERTIS OF OR FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED

FOR ARKANSAS RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 23-12-504(a)(14) OF THE ARKANSAS SECURITIES ACT AND RULE 506 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS 1933. AS AMENDED. THE ADEQUACY OR ACCURACY OF THIS OFFERING DOCUMENT. ANY REPRESENTATION AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING. OR PASSED UPON HAS PASSED UPON THE VALUE OF THESE SECURITIES. MADE ANY RECOMMENDATIONS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURI TO THE CONTRARY IS UNLAWFUL TIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION

UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORA-TIONS CODE BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING FOR CALIFORNIA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED TO THE

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Case 3:96-cv-01023-L-JF5

LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUB-SEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION IS REQUIRED.

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UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECU RITIES ACT OF 1981. IF SUCH REGISTRATION IS REQUIRED. FOR COLORADO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED

OR TRANSFERRED UNDER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT TICUT UNIFORM SECURITIES ACT, AND, THEREFORE, THE SECURITIES CANNOT BE SOLD FOR CONNECTICUT RESIDENTS ONLY: THE SECURITIES REFERRED TO IN THIS OFFER. ING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTION DOCUMENT HAVE NOT BEEN REGISTERED BEEN REGI OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

BY THE PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COMPANY OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER. WHICHEVER OCCURS LATER. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE FOR FLORIDA RESIDENTS ONLY: FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES ARE MADE TO FIVE OR MORE PERSONS PURSUANT TO SECTION 517:06(11)(4)(5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE 3E500.005(5)(a)(12))

LATE THE SECURITIES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF GEORGIA. THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CONSENT DECREE ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED OCTOBER 13. 1991. PROVIDES THAT TOWERS IS PERMANENTLY ENIQUINED FROM VIOLATING THE SECU-GEORGIA OFFEREES. RITIES LAWS AND THAT TOWERS IS SUBJECT TO AN ONGOING OBLIGATION NOT TO VIO-AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMMISSION

FOR IDAHO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UN-DER THE IDAHO SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANS-FERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR ILLINOIS RESIDENTS ONLY: THESE SECURTIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING DOCUMENT. ANY REPRESEN-TATION TO THE CONTRARY IS A CRIMINAL OFFENSE

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OF THE INDIANA CODE. STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL

FOR LOUISIANA RESIDENTS ONLY: THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMISSIONER PURCHASE OF ANY OF THESE SECURITIES.

FOR MAINE RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OF THE STATE OF MAINE UNDER SECTION 10502(2)R) OF THILE 32 OF THE MAINE REVISED STATUTES. THESE SECURITIES MAY BE DEEMED RESTRICTED SECURITIES AND AS SUCH THE HOLDER MAY NOT BE ABLE TO RESELL THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES LAWS OR UNLESS AN EXEMPTION UNDER SUCH LAWS EXISTS.

FOR MARYLAND RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE UNITED AVAILABILITY OF THE OFFERING, THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE MARYLAND SECURITIES ACT. IF SUCH REGISTRATION IS REQUIRED.

FOR MICHIGAN RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$90,000.

FOR MINNESOTT ARSIDENTS ONLY: THESE SECURITIES REPRESENTED BY THIS OFFER. ING HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAYNOT BESOLD. TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION. OR AN EXEMPTION THEREFROM.

FOR MISSISPIPIRESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YE.AR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR MISSOURI RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS IN VOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REQULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (I)

YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FI-NANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION THAT ANY DOCUMENT FILED UNDER RSA 471-B IS TRUE, COMPLETE AND OT MISLE ADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OF SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OF SECURITY OR A TRANSACTION APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION OF CONMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION OF CONSTITUTIONS OF OR COUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FOR NEW JERSEY RESIDENTS ONLY: THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERT'S OF THIS OFFERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURTIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURTIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY, ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR NEW MEXICO RESIDENTS ONLY: THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO, ACCORDINGLY. THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING DOCUMENT.

FOR NORTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREAT. ING THE SECURTIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURTIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. AL OR STATE SECURTIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE. THE FOREGOING AUTHORITIES HAVE NOT DEVER MED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURTIES ARE SUBJECT TO RESTRICTIONS ON TRANS. FERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURTIES ACT OF 1913. AS ANIENDED, AND THE APPLICABLE STATE SECURTIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR PENNSYLAWIA RESIDENTS ONLY: PURSUANT TO SECTION 301(m) OF THE PENN. SYLVANIA SECURITIES ACT OF 1972. EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE. WITHOUT INCURRING ANY LIABILITY TO THE COMPANY. ITS AFFILIAITES OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WRITTEN BINDING CONTRACT OF PURCHASE (SUBSCRIPTION AGREEMENT). TO ACCOMPLISH THIS WITHDRAWAL A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS WITHDRAWAL A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS INTENTION TO WITHDRAW TO THE COMPANY AT THE ADDRESS OF THE COMPANY SET

FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST ORALLY. HE SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS REQUEST HAS BEEN RECEIVED.

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IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR. THE RESIDENTS OF PENNSYLVANIA HEREBY AGREE THAT THEY WILL WILL NOT SELL, TRANSFER OR SUBDIVIDE THE UNITS PURCHASED HEREIN UNTIL AT LEAST ONE (I) YEAR FROM THE DATE OF PURCHASE.

VESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY PEDERAL OR STATE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY PEDERAL OR STATE SECURITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1913. AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR SOUTH DAKOTA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE OF SOUTH DAKOTA BURS SYCUANTED AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BURS SYCUANTER 47-31A. WITH THE DIRECTOR OF THE DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING IS TRUE, COMPLETE, AND NOT MISLEADING: NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERTITS OF, RECOMMENDED. OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SOUTH DAKOTA RESIDENTS MUST REPRESENT THAT (1) THEY HAVE A NET WORTH OF AT LEAST \$1.000.000 (EXCLUSIVE OF HOME HOME FURNISHINGS, AND AUTOMOBILES); (11) THEY WILL INVEST NOT LESS THAN \$100.000; AND (111) THEIR INVESTMENT DOES NOT EXCEED 10% OF THEIR NET WORTH.

FOR TENNESSEE RESIDENTS ONLY. THESE SECURITIES HAVE BEEN REGISTERED WITH THE STATE OF TENNESSEE. AS A CONDITION OF REGISTRATION. THE STATE OF TENNESSEE HAS IMPOSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS. PURSUANT TO THOSE STANDARDS. EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT LEAST \$250,000.00 EXCLUSIVE OF HOME. HOME FURNISHINGS. AND AUTOMOBILES. AND MUST HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE CLAST TAX YEAR AND BE EXPECTED TO HAVE A GROSS INCOME OF \$65,000.00 DURING THE CURRENT TAX YEAR, OR ALTERNATIVELY A NET WORTH OF AT LAST \$500,000.00 EXCLUSIVE OF HOME. HOME FURNISHINGS AND AUTOMOBILES. ADDITIONALLY, UNDER THIS SUITABILITY STANDARD. EACH NATURAL PERSON'S INVESTMENT MUST NOT EXCEED TEN PERCENT (10%) OF HIS NET WORTH.

THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DEFINED IN SECTION 501 (a) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE "TERMS

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OF THE INVESTMENT." THE ACCREDITED INVESTOR STANDARD IS GENERALLY MORE RESTRICTIVE THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE (AND THE MINIMUM SUITABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO ACCREDITED INVESTORS.

FOR TEXAS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR UTAH RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UTAH UNIFORM SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THIS OFFERING DOCUMENT OR UPON THE MERITS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY.

FOR WASHINGTON DEFINED ONLY OF MAKING AN INTERPRETATION DESCRIPTION.

FOR WASHINGTON RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. ALOR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANS. FERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1931, AS AMENDED. AND THE APPLICABLE STATE SECURITIES AWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREROM, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINAN-CIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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EXHIBITS

Subscription Documents

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Form of Security Agreement Form of Promissory Note B. Subscription Agreement A. Investor Questionnaire

1991 Annual Report of Towers, Including Audited Financial

Statements (Furnished under separate cover)

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TOWERS FINANCIAL CORPORATION

INTRODUCTION

of prospective Accredited Investors for use solely in connection with their consideration of investing in the Notes. See "TERMS OF THE INVESTMENT." To the extent they deem necessary or advisable, prospec-This Confidential Private Offering Document (the "Offering Document") is provided to furnish certain information in connection with the placement of Promissory Notes (the "Notes") issued by Towers Financial furnished to any other person. tive investors are urged to carry out independent investigations in order to determine their interest in invest-ing in the Notes. This Offering Document may not be reproduced or used for any other purpose nor Corporation, as the Issuer. This Offering Document is submitted on a confidential basis to a limited number

herein. Such descriptions do not purport to be comprehensive or definitive. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, drafts or forms of which may be obtained as described under "ADDITIONAL INFORMATION." Brief descriptions of the Notes, the security agreement and certain other documents are contained This Offering Document is accompanied by the Company's 1991 Annual Report which includes audited

financial statements and which is bound under separate cover and incorporated herein by reference.

investors should review the Section entitled "RISK FACTORS." There are certain risks and other considerations relating to an investment in the Notes. Prospective

SUMMIARY

The following summary is qualified in its entirety by reference to the detailed information appearing etsewhere in this Offering Document. Certain capitalized terms used in this Offering Document are defined in the "GLOSSA-

Description of the Promissory Notes and Terms of the Investment:

NOTEST). The Promissory Notes will be collateralized, secured and backed by (i)Healthcare Accounts Receivable of major insurance compan-IS Offered hereby to Accredited Investors only (see "TERNIS OF THE IN-VESTMENT" and "DESCRIPTION OF THE PROMISSORY An aggregate of one hundred million dollars (\$100.000.000), consisting of 1.000 units at \$100.000 each of 12-month, 24-month and 36-month Promisto federal and state law. This investment opportunity will terminate on the earlier of the date all units have been sold or October 14, 1992 (the mended minimum subscription is for one Unit: however, fractional Units sources), in a face amount equal to the amount of the Offenne, Recom-(iii) receivables acquired from the FDIC and RTC (or from secondary Business Accounts Receivable purchased from manufacturers, wholeunions, private insurance companies, worker's compensation payors, peries such as Blue Cross/Blue Shield, state governmental agencies, major issory Notes, payable monthly or quarterly (at the option of the Investor) may be accepted at the sole and absolute discretion of Towers and subject hospitals, doctors, medical groups and other healthcare providers: (ii) sonal injury payors, and all other third party reimbursers purchased from Promissory Notes and 13% per annum for 24-month and 36-month Fromsory Notes, bearing interest at the rate of 12% per annum for 12-month salers and service companies, including subsidiaries of the Company; and

Proposed Activities:

Ray Control

"Offering Termination Date"). There is no minimum number of units which are required to be subscribed for prior to investment of the Funds (see "DESCRIPTION OF THE PROMISSORY NOTES" and "TERMS OF THE INVESTMENT).

Towers will acquire (i) Healthcare Accounts Receivable from hospitals (ii) Business Accounts Receivable purchased from manufacturers, wholeagencies, major unions, private insurance companies, worker's compensadoctors, medical groups, health maintenance organizations, rehabilitathe RTC and FDIC (or from secondary sources). salers and service companies, incl<u>uding subsidiaries of the Company</u> (the "Accounts Receivable"); and (iii) loans and receivables purchased from insurance companies such as Blue Cross/Blue Shield. state governmental tion payors, personal injury payors, and all other third party reimbursers: tion centers and other healthcare providers which will be payable by major

for up to 95% of such Accounts Receivable Jace value (a discount or fac-toring 16€ of a minimum of 5% for each Account Receivable collected). The purchase terms for KTC and FDIC Accounts Receivable and loags vary on each acquisition. Towers typically acquires Healthcare and Business Accounts Receivable

business entity in accordance with the terms of this Offering and Towers purchase contracts. Accordingly. Towers anticipates that the spread between its cost of funds (the interest payments to investors) and the factor-Receivable thereby compounding the discount or factoring fee with each new purchase of Accounts Receivable. Towers expects to reinvest the ing fee will be significant and provide adequate funds from which business entity or respirest in a new or different healthcare provider or funds in Accounts Receivable and compound its factoring fee up to six investors' interest payments may be made. (less the Excess Profits Amount) will be reinvested in additional Accounts Upon collection of each Account Receivable, the proceeds of collection imes per year. Towers may reinvest in the same healthcare provider or

Collateral:

servicing three pools of funds invested in wholly-owned special outpose subsidiaries of Towers pursuant to bond offenness. The funds from this providers thereby bridging the time delay of slow paying insurance com-panies and state and government agencies. Towers large staff of insurcervable factoring program is well received nationwide by healthcare pronot manage their Accounts Receivable efficiently. Towers' Accounts Re-Generally, hospitals, doctors, dentists, and other healthcare providers do Offering may be invested in conjunction with Towers' special purpose subpayment and collection of the Accounts Receivable. Towers is currently viders because Towers offers the needed funding to these healthcare ance collection experts provide the needed resources to accelerate the

tional funds for production of products prior to the receipt of proceeds from the sale of such products. Additionally, temporary or seasonal renesses generally have limited credit with suppliers and often require addi-As relates to the acquisition of Business Accounts Receivable, small busiquirements for funds by small businesses are not uncommon. Therefore,

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Case 3:96-cv-01023-L-J

small businesses utilize accounts receivable financing to meet cash flow

loans may be secured by assets, including real property; however, such security is not expected. Due to the nature of the FDIC and RTC receivables. Towers expends substantial funds on labor and other costs associated with collecting these accounts which effectively increases the loans and receivables from secondary sources which have acquired such loans and receivables directly from the FDIC or KTC. Generally FDIC gregate offering proceeds to acquire FDIC and/or RTC loans and receive cost of these receivables. Towers will utilize no more than 20% of the agand RTC loans are non-performing and in the case of the RTC loans, such of the value of such packages. Also, Towers may purchase FDIC and RTC packages of loans and receivables at auction based upon Towers' analysis As relates to receivables of the FDIC and RTC, Towers will purchase

TIES"). Towers reserves the right to pool Accounts Receivables with other ecofferings similar to this Offering. Each pool will be entitled to its prorata share of Accounts Receivable acquired and the collateral will be The Accounts Receivable will be segregated from other assets of Towers and the computer records relating thereto will be available for inspection by Investors or their professional advisers (see "PROPOSED ACTIVIshared pan passu.

ingly are backed by Towers' consolidated assets. The Promissory Notes are the recourse obligations of Towers and accord-

Payment upon the Promissory Notes will be secured by the Security exceeding the amount of lunds caused from Investors. wall maintain Accounts Receivable in a minimum face amount equal to or purchased with the Funds or the proceeds thereof (see "PROPOSED ing statements against Towers (as debtor) for those Accounts Receivable ACTIVITIES - Accounts Receivable as Collateral and Security"). Towers Agreement and the filing of Uniform Commercial Code ("UCC") financ

Funding Account:

the offices of the Company. Towers has the right at any time to receive payment of the Excess Profits Amount (as defined herein) from the Fund-"Bank") in one or more interest bearing, special accounts (the "Funding Account"). Towers will direct the investment of the Funds as provided for ing Account (see "COMPENSATION TO TOWERS"). herein. All proceeds of the Accounts Receivable will be deposited pur-The Funds will be deposited in Chase Manhattan Bank. N.A. (the relating to the Funding Account are available for inspection and audit at suant to a lock-box system in the Funding Account. The books and records

The proceeds of this Offering will be utilized to acquire. Accounts Receivable, pay sales commissions of 4% of the Promissory Notes to NASO broable, pay sales Towers is a publicly-traded corporation, organized pursuant to the laws of ker-dealers and pay the Excess Profits Amount.

The Company:

Use of Proceeds:

the State of Delaware, which, through certain of its wholly-owned subsid-taries or affiliates, has been engaged in various aspects of financing and/or servicing of Accounts Receivable for the passibly cars.

\$2,000,000 issued in July of 1991, all of which received an "AA" rating from Dulf & Phejps. Such bonds were issued by special purpose subsidiaries of Towers which utilize the funds to acquire Accounts Receivable. Investors should note that the terms of this Offering differ substantially from the above-described offerings and that it is not anticipated that a rating will be sought for this Offering, or if sought, that such a rating would be issued. cluding an offering for \$56,500,000 of bonds issued on July 19, 1990; an offering for \$41,500,000 of bonds issued on November 27, 1990 and an offering for \$40,500,000 of bonds issued on May 23, 1991 with an additional Towers has been engaged in several offerings of securities in the past, in-

lowing commissions will be paid: 4% for the sale of 36-month Promissory Notes upon Sale and Acceptance. 4% on the anniversary date of Sale and Acceptance and 4% two years from Sale and Acceptance (an aggregate of 12%). 4% for the sale of 24-month Promissory Notes upon Sale and Acceptance and 4% one year from Sale and Acceptance (for an aggregate of ceptance and 4% one year from Sale and Acceptance (for an aggregate of the Sale and Acceptance). fully-executed subscription from a Suitable Investor that is an Accredited Investor (see "PLAN OF DISTRIBUTION"). There is no minimum commissions will be paid: or (2) through broker-dealers registered with the National Association of Securities Dealers, Inc., in which case the fol-Towers is self-underwriting the offering of the Units and will offer and self the Units to Accredited Investors only either (1) directly, in which case no 8%); and 4% for the sale of 12-month Promissory Notes payable upon Sale Acceptance (for an aggregate of 4%) (see "PLAN OF DISTRIBU-IN"). Commissions will only be paid upon acceptance by Towers of a

RISK FACTORS

carefully consider the risk factors relating to the proposed business of Towers, including, but not limited to, ment. There will be no public market for the Units, and Federal and state securities laws impose substantial restrictions on the right of an Investor to sell or otherwise transfer his Units. Prospective Investors should Therefore, purchase of the Units is suitable only for those persons who can afford to lose their entire invest-Acquisition of the Promissory Notes is speculative and subject to numerous and substantial risks.

HAUSTIVE LIST OF THE RISKS RELATING TO AN INVESTMENT IN THE UNITS. those certain risk factors discussed below, and should consult their own legal, financial and business advisers. THE RISK FACTORS SET FORTH IN THIS SECTION ARE NOT INTENDED TO BE AN EX-

- management (including the officers, directors and employees of its subsidiaries and affiliated companies) to provide financial and credit services and acquire Accounts Receivable as set forth herein. The loss of key personnel or an inability to attract and retain necessary replacement personnel could substantially and adretriely affect the business of the Company and the Company's ability to service the program set forth herein 1. Dependence on Management. The Company's success is substantially dependent upon the ability of
- ance that an Investor will be able to liquidate his investment quickly or on acceptable terms. If at all, if he should desire to do so (see "DESCRIPTION OF THE PROMISSORY NOTES" and "TERMS OF THE the Federal Securities Act. and Investors will have no right to require registration thereof. Furthermore, there is not currently (nor will there be) a public market for the Units. Accordingly, there can be no assurpurchaser for investment purposes only and not with a view to, or for resale in connection with any distribu-INVESTMENT-Restrictions on Transfer"). "Federal Securities Act"), and regulations promulgated thereunder, the Units will not be registered under tion. In reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933, as amended (the 2. Severely Limited Liquidity of Units: Absence of Public Market. The Units must be acquired by each
- Company in any action of proceeding challenging the availability of such exemptions. condition if for any reason the Company is subject to civil liability, and/or the legal expense of defending the exemption from Federal registration. There may be a material adverse effect upon the Company's financial addition, exemptions from registration under state secunites laws frequently depend upon the availability of al registration is complex, and it is often difficult to determine that its terms have been fully complied with. In fered and sold, in reliance upon certain claimed exemptions therefrom. The claimed exemption from Feder-Secunties Act or, in most cases, the secunties laws of the junsdictions in which they are proposed to be of 3. Availability of Exemptions from Reguration. The Units have not been registered under the Federal
- upon the Promissory Notes to the extent of its consolidated assets. In the event such assets are unsufficient to cover the payment of principal and/or interest on such Promissory Notes, an Investor could lose his or her investment, in part or in whole. Although Towers has agreed that the Promissory Notes will at all times be Collaieral. The Promissory Notes are collateralized by Accounts Receivable in a face amount equal to the aggregate amount invested in the Offering. In the event the collateral is insufficient to satisfy the obligations of Towers to make payments of principal and/or interest on the Promissory Notes, then Towers will be liable as an unsecured creditor having the same right to Towers' assets as all unsecured creditors. bankruptcy court invalidates the investor's secured position on the collateral and the investor may be treated raised in this Offering, it is a possibility that in a bankrupicy proceeding such collateral upon liquidation may prove to be insufficient to return to an investor the amount due him on the Promusory Note or that the secured by Accounts Receivable with a minimum face amount of at least 100% of the amount of proceeds 4. Towers' Ability to Make Payments of Proncipal ardior Interest Upon the Promissory Notes: Sufficiency of
- reinvest the funds a sufficient number of times during the year is a major factor which will determine lowers and principal on the Promissory Notes without incurring high losses for bad debts. The Company's ability to discounts and upon the terms stated herein, so that the Company may earn a return sufficient to pay interest business will depend, in part, upon its ability to purchase Accounts Receivable of sufficient quality at the 5. Ability to Purchase Qualified Accounts Receivable. The success or failure of the Company's proposed

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Company with Healthcare Providers special purpose subsidiaries pursuant to the terms of Healthcare Purchase Contracts entered into by the Accounts Receivable are acquired by the Company for its own account and for the accounts of certain of its Company may not have sufficient funds to pay interest and principal on the Promissory Notes. Healthcare are expected to be made primarily from the collection of Accounts Receivable. In the event Business Healthcare and FDIC and RTC Accounts Receivable cannot be collected or cannot be collected timely, the

Page

Healthcare Provider. If full payment of the value of a Healthcare Receivable is not received from Third Party Obligors due to a breach by a Healthcare Provider of its representations and warranties, the Healthcare Proby the respective Healthcare Provider to the Third Parry Obligor. An example of a Third Parry Obligor havor the Third Party Obligor may offset payments due on such Healtheare Receivables against amounts owed All or a portion of acquired Healthcare Receivables may not be collectible due to possible breaches of representations and warranties made by Healthcare Providers. For example, the claim may be for amounts determined to be not properly payable by the Third Party Obligor, the claim may be improperly documented ing an offset right is the right of a governmental entity under the Medicare or Medicaid program to offset vider will be obligated to cure any defect with respect to such Healthcare Receivable or substitute one or prior overpayments discovered as the result of routine audits against current payment obligations to a given from other sources of funds, if any. solely from the Accounts Receivable, thereby requiring Towers to make payments of principal and interest tions, the Company may generate insufficient funds to make full and timely payment of principal and interest more Healthcare Receivables. In the event the Healthcare Provider is financially unable to meet its obliga-

cordingly, the Company may have no recourse against the Healthcare Provider. If an insolvency of a Thurd presentation or warranty by a Healthcare Provider, such as the insolvency of a Third Party Obligor and acthe payments from its general funds, if any. principal and interest on the Notes from the Accounts Receivable, thereby requiring the Company to make Party Obligor should occur, the Company may have insufficient funds to make full and timely payments of A Healthcare Receivable may also be uncollectible for reasons that do not constitute a breach of a re-

able may be uncollectible for many reasons despite Towers' credit checking procedures and collection ef-forts. In the event a large number of Accounts Receivable become worthless or uncollectible. Towers may not have sufficient funds to repay investors the principal and interest on their Notes. As with Healthcare Receivables. Business Accounts Receivable and FDIC and RTC Accounts Receivable

particular debtor with respect to the Accounts Receivable, but must rely upon the ability of Towers based portunity to evaluate the investment of the proceeds of this Offering or the ment or creditworthiness of any speculic creditors whose accounts receivable will be purchased. Accordingly, Investors will not have the ophave been identified. Towers has not yet selected the specific Accounts Receivable to be purchased or the upon the enterta set forth herein to select the Accounts Receivable and to manage and operate Towers' busi-7. No Opportunity to Evaluate Collateral. Although the criteria for acquiring the Accounts Receivable

DESCRIPTION OF THE PROMISSORY NOTES

ceivable"); and/or (iii)receivables and loans purchased from the Federal Deposit Insurance Corporation ceivable purchased from manufacturers, wholesalers and service companies (the "Business Accounts Remedical groups and other healthcare providers (the "Healthcare Receivables"); (ii)Business Accounts Reper annum for 24-month and 36-month Units with interest payable either monthly or quarterly at the option of the Investor, collateralized by: (i)Healthcare Accounts Receivable purchased from hospitals, doctors. ("FDIC") and/or Resolution Trust Company ("RTC") or from secondary sources which have purchased An aggregate of one hundred million dollars (\$100,000,000) of 12-month, 24-month and 36-month Promissory Notes (the "Units") bearing interest at the rate of 12% per annum for 12-month Units and 14%.

Units at \$100,000 each, is offered hereby to Accredited Investors only. loans or receivable packages from the FDIC or RTC (the "FDIC and RTC Receivables") consisting of 1,000

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OCCUI Notes may be reinvested at the option of the Investors at the rates of interest as announced by Towers at that this Offering shall continue to apply to the Promissory Notes and the holders thereof until such redemption such reinvestment. If upon maturity, the Promissory Notes are not redeemed for any reason, the terms of time. Such reinvestment is subject to Towers' discretion and the laws and regulations in effect at the time of Upon maturity, and subject to Federal and state laws and regulation, the proceeds of the Promisson

on the Promissory Notes and pay the principal when due will be determined by Towers' overall financial con-Although the Promissory Notes are collateralized by Accounts Receivable, the ability to pay the interest

TERMS OF THE INVESTMENT

October 14, 1992 (the "Offering Termination Date"). There is no minimum number of Units which must be Recommended minimum subscription is one Unit; however, fractional Units may be accepted at the sole discretion of Towers. The Offering will terminate on the earlier of the date all Units have been sold or subscribed prior to Investment of Funds.

promulgated under the Securities Act of 1933, as amended (the "Act") which reads as follows: This Offenng is being made only to Accredited Investors (as defined in Section 501(a)(1)) of Regulation

securities to that person: the issuer reasonably believes comes within any of the following categories, at the time of the sale of the "Accredited Investor" shall mean any person who comes within any of the following categories, or who

- Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other insticredited investors: \$5.000.000 or. if a self-directed plan, with investment decisions made solely by persons that are acor registered investment adviser, or if the employee benefit plan has total assets in excess of plan established and maintained by a state, its political subdivisions, or any agency or instrumentaltion 2(a)(48) of that Act: any Small Business Investment Company licensed by the U.S. Small Busiunder the Investment Company Act of 1940 or a business development company as defined in Secany insurance company as defined in Section 2(13) of the Act; any investment company registered Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement ity of a state or its political subdivisions for the benefits of its employees if such plan has total assets ness Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any ity: any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934 tution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capac income Security. Act of 1974 if the investment decision is made by a plan tiductary, as defined in
- 3 Any private business development company as defined in Section 202(a)(22) of the Investment Ad visers Act of 1940;
- 9 Any organization described in Section 501(c)(3) of The Internal Revenue Code, corporation, Masthe securities offered, with total assets in excess of \$5,000,000; sachusens or similar business trust, or partnership, not formed for the speculic purpose of acquiring
- 3 Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issues:
- time of his purchase exceeds \$1,000,000; Any natural person whose individual net worth, or joint net worth with that person's spouse at the
- Any natural person who had an individual income in excess of \$200,000 in each of the two most and has a reasonable expectation of reaching the same income level in the current year. recent years or joint income with that person's spouse in excess of \$300,000 in each of those years

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- 3 3 Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring 230.506(b)(2)(ii); and the securities offered, whose purchase is directed by a sophisticated person as described in Section
- Any entity in which all of the equity owners are accredited investors.

the securities have been registered or in states which afford an exemption similar to the Federal exemption and/or provide a special exemption for Accredited or Institutional Investors. In addition, it should be noted that this Offering is being made pursuant to an exemption which requires that no specific information be fering has not, as of the date hereof, been registered with any state and may only be offered in states in which This Offering has not been registered with the Securities and Exchange Commission. Further, this Of-

In order to subscribe for a Unit, each prospective Investor must complete, execute, acknowledge and return to Towers the Subscription Agreement in the form attached hereto as Exhibit 1.B, and a check for

ity. Towers has the absolute right, at its sole discretion, to reject, in whole or in part, any subscription that is tendered or to waive any defect in any Subscription Documents. If Towers rejects a subscription, it will return the Subscription Documents, including the Investor's check, to the prospective Investor, Towers will review the Subscription Documents for completeness, due execution and investor suitabil-

Interest on the Promissory Note shall accrue from the date of Acceptance. The Company shall accept subcount and Towers will forward an executed Promissory Note in the form set forth in Exhibit II to the Investor scriptions only from Accredited Investors. If Towers accepts a subscription ("Acceptance"), subscription funds will be deposited in the Funding Ac-

past offerings to direct that the payment of the principal amount of the prior offering be credited toward an investment in the current Offering. The Company reserves the right to pay such investors the interest rates such invesions: provided, that such investor remains an Accredited Investor, as defined herein which they were receiving under their previous investment. Subscription procedures may be modified for The Company may, in its discretion and pursuant to applicable securities laws, permit investors from

Restrictions on Transfer

laws by reason of specific exemptions from registration provided thereby -Federal Securities Act-), nor pursuant to the provisions of the securities laws of any jurisdiction, and the Units are being offered, and will be sold, without benefit of registration under federal and state securities The Units affered hereby have not been registered under the Securities Act of 1933, as amended (the

certain representations and warranties to lowers. for his own sole account, and without any view towards the sale or other disposition thereof and prospective favestor, and an exemption from registration would be unavailable if any one purchaser were executing the Subscription Agreement will be required to acknowledge that the purchase is for investment. purchasing a Unit with a view to the redistribution thereof. Accordingly, each prospective Investor when The availability of each such exemption is dependent, in part, upon the "investment intent" of each

Federal Securities Act or any state securities law and Towers will not register the Units in the future (see Investors have not been granted the right to require the registration of their Units under either the

If an Investor wishes to dispose of his Units, such disposition is circumscribed by the terms of the provisions of the Federal Securities Act and state securities laws.

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USE OF PROCEEDS

the Promissory Notes and to pay commissions of 4% for the 36-month, 24-month and 12-month Promissory Notes (see "PLAN OF DISTRIBUTION"). The Company will pay all other expenses of the Offering, and its costs of operations (including salaries and overhead). The Company will be entitled to direct the payment of the Excess Profits Amount to itself at its discretion; provided the required collateral coverage is maintained. The proceeds of the Offering will be used to purchase the Accounts Receivable which will collateralize

FUNDING ACCOUNT

Manhatian Bank, N.A. (the "Bank") for the purpose of depositing (i) the proceeds of the Offering as funds are received and accepted from Investors (the "Funds"); and (ii) the proceeds of Accounts Receivable as such arranged with the Bank. Any fees relating to the Funding Account will be paid by Towers. Towers reserves The proceeds of the Accounts Receivable will be deposited pursuant to a lockbox system which Towers has Funds in Accounts Receivable or make such other disbursements of the Funds as provided in this document. Accounts Receivable are collected. Once the Funds are deposited. Towers may direct the investment of the the right to utilize other major money center banks at its discretion A special interest-bearing account (the "Funding Account") has been established by Towers at Chase

PROPOSED ACTIVITIES

may be acquired from affiliates or subsidiaries of Towers (see "CONFLICTS OF INTEREST"). substantial markets for the acquisition of suitable Accounts Receivable. Additionally, Accounts Receivable Presently, Towers, through its New York City headquarters and its regional and branch offices, has identified Towers will use the Funds to acquire Healthcare and Business Accounts Receivable and receivables pur-chased from the FDIC and RTC or from secondary sources which have purchased from the FDIC and RTC.

ty in accordance with the Jerms of this Offering. in Accounts Receivable and compound the factoring fee up to six times a year; which is expected to provide sufficient funds for the payment of interest to the fromissory Noteholders. Towers may retrivest in the same Healthcare Provider or business entity or reinvest in a new or different Healthcare Provider or business entithe compounding of the factoring fee with each new purchase. Towers expects to reinvest the collected funds count Receivable, the proceeds of collection will be reinvested in additional Accounts Receivable resulting in mum discount or factoring fee of 5% for each Account Receivable collected. Upon collection of each Ac-Towers typically purchases Accounts Receivable for up to 95% of their face amount resulting in a mini-

Accounts Receivable as Collateral and Security

vances a portion of the stated value of Healthcare Receivables prior to collection, the unpaid balance of the purchase price of the Healthcare Receivables may provide additional collateral; however, Towers will continsuch cases, the security interest is perfected by a pledge of such receivables. Healthcare Accounts Receivable. UEC filings may not be the proper mechanism to secure the investors. In ue to remain obligated on the balance of the purchase price if the receivable is collected. For certain of the the Promissory Notes. In the case of Healthcare Accounts Receivable, since Towers sometimes only ad-Receivable. Such collateral will consist of Accounts Receivable with a face amount equal to or in excess of Commercial Code financing statement filings to be made against Towers, as debtor, relating to the Accounts The Accounts Receivable will be security and collateral for the Promissory Notes pursuant to Uniform

value of the Promissory Notes to the extent of its consolidated assets. Further, the Promissory Notes are the recourse obligations of Towers and Towers is liable for the stated

other security interests granted to prior or future offerings. All such poolings will be on the pair passu (pro Towers reserves the right to pool the security interest which will be granted to the Noteholders with

The Healthcare Industry

duce internal staffing; and (iii) use of sophisticated data processing equipment owned by Towers. healthcare providers to bridge the time delays brought on by slow-paying insurance companies and state/fedsions to ensure prompt payment and reduce incorrect third party provider deductions: (ii) the ability to reentitled. For qualified healthcare providers. Towers provides (i) a thorough examination of claims submiseral governmental agencies, and collect a greater portion of the funds to which such healthcare provider is insurance operations and accordingly, cash flows are disrupted by the delay between the filing for payment of dentists and other healthcare professionals or groups do not efficiently manage their billing, collection and healthcare groups is extremely complex time-consuming and labor intensive. Typically, hospitals, doctors continue to grow reflecting age and population trends. Billings, collection and insurance compliance for funds and the receipt of such funds. The Towers Healthcare Accounts Receivable funding program allows The healthcare industry in the United States has grown rapidly over recent years and is expected to

to their financial stability and liquidity. Accordingly, the ability of Healthcare Providers to sell or factor their accounts receivable is paramount

Description of Healthcare Accounts Receivable

counts: commercial insurance; Blue Cross; government programs; and self-pay. that from time to time enter into Healthcare Purchase Contracts with Towers. Generally, the Accounts Re-ceivable of the Healthcare Providers can be separated into four categories based on the payor on the ac-The Notes will be secured, in part, by the Healthcare Receivables generated by Healthcare Providers

ceived from either (1) a commercial insurance company (pursuant to health, personal injury, workmen's comwhich set the lees and charges that the Healthcare Providers may charge for their services. burses the Healthcare Provider for the Healthcare Provider's charges less any co-payment portion or deducunions who self-insure their employees or members. The commercial insurance company generally reimmaintenance organization ("HMO"); (iii) a preferred provider organization ("PPO"); or (iv) employers or pensation and other insurance policies or administrative services only contracts ("ASOs")); (ii) a health libles. HMOs and PPOs generally have contractual arrangements with the individual Healthcare Providers The commercial insurance category covers the Healthcare Receivables for which payment will be re-

panies in the commercial insurance category and the Blue Cross category, together with non-profit health insurance companies, are referred to as the "Insurers.") be acquired unless the Healthcare Provider is a participant in the Blue Cross program. (Collectively, comof service. Healthcare Receivables representing payments to be received from "Blue Cross" entities will not organizations which operate as individual entities. As a result, no "general" reimbursement method exists for the Healthcare Receivables that fall into this category. Each Healthcare Provider which participates in Healthcare Provider's standard fees and charges, (iii) a negotiated rate or (iv) the Healthcare Provider's cost the Blue Cross program has its own arrangement with Blue Cross whereby the Healthcare Provider may receive reimbursement for (1) the Healthcare Provider's standard fees and charges. (ii) a percentage of the "Blue Cross" entities. While Blue Cross is a national entity, it is comprised of a series of state or multistate The Blue Cross category covers all Healthcare Receivables for which payment will be received from

co-insurance amounts. Healthcare Providers can charge Medicare patients for any "noncovered" items or diagnosis or a rate based on a formula associated with the cost of care. Medicare law requires Healthcare either the federal government ("Medicare"), jointly from the state governments and the federal government services. Claims against state workmen's compensation funds also fall into this category of accounts receiv Healthcare Providers from charging Medicare patients for anything other than the usual deductible and ("Medicaid") or other governmental entities. The receivables are paid at either a predetermined rate per Providers to accept Medicare payment as payment in full for "covered" items or services and prohibits The government program category includes Healthcare Receivables for which payment is received from

which payment will be received from either the individual patient or an individual guarantor on the patient 8 The self-pay category consists of accounts receivable in excess of the Third Party Obligor's obligation for

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standing for 120 to 180 days from the date of first billing account. The Healthcare Provider charges its standard fees and charges and the accounts are usually out-

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pursuant to purchased claims from Healthcare Providers: The following representative list sets forth those insurance companies that are obligated to pay Towers

State Farm Insurance Company Blue Cross/Blue Shield General American Insurance Company

Mutual of Omaha Prudential Insurance Company Acina Insurance Company Iravelers Insurance Company

Equitable Insurance Company First Fund Insurance Co. Insurance Co.

Pacific Mutual Insurance Co. Connecticut General Life Liberty Mutual Insurance Co

> Continental Life Combined Insurance of America Chubb Pacific Group Best Benefits Alistate insurance Co. National Association of New York Life Insurance Co. Metropolitan Life Insurance Co. Hartford Insurance Co. John Hancock Insurance Co. Fireman's Fund Insurance Co. Letter Carners

servicing and/or financing and through its professional collection team, trained insurance adjusters, insurlices, a substantial backlog of Healthcare Receivables and accordingly. Towers will be able to quickly place companies. Towers has generated, through its New York City headquarters and its regional and branch of can properly and efficiently acquire, service and collect Healthcare Receivables due from various insurance ance administrators, collectors, paralegals, claims examiners, claims billers, claims supervisors and attorneys There currently are several financing sources which actively acquire accounts receivable from health-care groups of which Towers is one. Towers has 16 years of experience in healthcare accounts receivable

Determination and Criteria of Eligibility for Healthcare Accounts Receivable

certain criteria. bil production and late charges. The Healthcare Provider will perform the pre-screening functions to en-sure that appropriate verification has occurred. The Healthcare Provider is responsible for verifying the validity and propriety of Healthcare Receivables by Judgmentally selecting Healthcare Receivables that meet predetermined period of time from discharge depending upon the Healthcare Provider's window for final the Healthcare Provider's responsibility to send eligible healthcare accounts receivable to Towers after a reimbursed accounts, self-pay receivables or third party receivables located outside of the United States. It is agencies and documented in the patient account file. The Company will not purchase any direct federal third party insurance carriers including unions, self insured groups, third party reimbursers and city and state The Company will accept reimbursable Healthcare Accounts Receivable that have been verified with

vertication with an independent service such as a third party administrator If the Healthcare Provider is unable to provide pre-screening vertication, the servicer will arrange for

Description of Business Accounts Receivable

Small businesses' accounts receivable are traditionally due 30 to 90 days after issuance and, in many inlished firms which have substantial assets or cash flow are able to readily finance their accounts receivable ume of between \$500,000 and \$10,000,000 for the funding of accounts receivable. Historically, only estabstances, such companies cannot afford to wait until the due date of the accounts receivable in view of the fac for this purpose. Most large institutions do not extend substantial loans to businesses with annual sales vol-Towers actively acquires Accounts Receivable of qualified companies and may use a portion of the Funds

ongoing basis to meet their cash flow needs. usually not available. Accordingly, many businesses utilize Accounts Receivable financing on a seasonal or that overhead expenses, such as payroll, rent and taxes must be paid on an onjoing basis. Generally, such small businesses have limited credit with their suppliers and often require additional funds for production prior to the sale of products. Short-term borrowing to meet temporary or seasonal cash flow interruptions is

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95% of such Accounts Receivable stated value (a discount or factoring fee of a minimum of 5% for each large companies can sell their accounts receivable to Towers. In order to be eligible for purchase, the accompounds its factoring fee with each purchase. Towers expects to reinvest the funds up to six times per year. counts must satisfy certain requirements imposed by Towers. Towers acquires Accounts Receivable for up to Account Receivable collected). Upon payment of each Account Receivable Towers reinvests the funds and Towers has created an accounts receivable purchasing program pursuant to which small, medium and

ceivable which have been previously acquired and which are likely to be acquired by Towers in the future: The following is a representative list of companies obligated to pay Towers on Business Accounts Re-

R.H. Macy and Company, Inc.

RCA Corporation

F.W. Woolworth Company Burlington Northern Railroad Jamesway Corporation Avon Products, Inc. Revion Inc. I.C. Penny Company, Inc. Company, Inc.

Raytheon Co., Inc.

Simon and Schusier Pace Membership Warehouse Mitsubishi International Co. Westinghouse Electric Company King Kullen Grocery Co. Campbell Soup Company General Electric Company

Wall Disney Productions Saks Fifth Avenue Esselte Pendaftex Corporation Lever Brothers Company

Towers requires as security for payment of acquired or financed Accounts Receivable first lien security interest in (or direct purchase of) the Accounts Receivable of the financed company which is evidenced by Uniform Commercial Code financing statements.

event of nonpayment, the bill of sale will provide that Towers and its assignees will have the right to offset the are due to the financed company on other Accounts Receivable of the financed company which are collected amount which is due to Towers from the unpaid Business Accounts Receivable against other payments which representations and warranties that the Accounts Receivable are valid and not in dispute and that in the ownership of such account. The bill of sale and/or purchase agreement from the seller generally will contain counts Receivable will be documented by a written agreement between Towers and the seller and Towers will receive a bill of sale or purchase agreement for the Accounts Receivable which will give Towers title to and for all price above or below that stated herein under certain circumstances. Each purchase of Business λc Towers reserves the right, in its sole discretion, to acquire Accounts Receivable which are not current or

in Towers' sole discretion such companies are comparable to listed companies. Towers may acquire Accounts rating agency: however. Towers reserves the right to purchase Accounts Receivable which are not so listed if Receivable from accounts in various industries, including, but not limited to, the following: manufacturing transportation, communications, the wholesale and retail trade, finance, insurance and healthcare profes-Towers generally only purchases Business Accounts Receivable of companies which are listed by a major

or its affiliates have a financial interest. Towers purchasing from affiliates may include the acquisition of due Towers for the purpose of this Offering. It should be noted that collection accounts may be obtained for able Management and factoring. These collection accounts will be valued at the amount of the collection fee receivables representing payments due Towers as collection fees for services performed in Accounts Receiv-Towers may purchase or finance Accounts Receivable from its affiliates and from companies in which it

no payment by Towers; however, substantial cost may be associated with collecting these Accounts Receiv-

DESCRIPTION OF FDIC AND RTC LOANS AND RECEIVABLES

write-offs. Some of these loans and receivables are backed by assets while others are unsecured. These loans and receivables are of various caregories including performing, non-performing, charge-offs and liquidating assets of banks and savings and loan associations which are in receivership. It is estimated that billions of dollars of loans and receivables will be sold by the FDIC and the RTC over the next 24 months. nancial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA")) have the responsibility for The Federal Deposit Insurance Corporation and the Resolution Trust Company (established by the Fi-

acquire the loan and receivable packages. Towers will then utilize its collection abilities to collect upon the acquired loans and receivables. Since the loan receivable packages offered by the FDIC and RTC are offered at substantial discounts from face value, the successful collection upon a portion of these loans and receivables will produce a profit factor. Towers may also purchase FDIC and RTC originated loans and receivables FDIC and RTC. Towers will bid on suitable loan and receivable packages and if such bid is the highest bid, will from secondary sources which have acquired such receivables directly from the FDIC and RTC The FDIC and RTC packages loans and receivables for sale at auction through the regional offices of the

this Offering even though they may be purchased for substantially less than the face amount. It should be noted that FDIC and RTC receivables are taken into account at face amount for purposes of

RTC loans and/or accounts receivable. The Company will utilize no more than 20% of the aggregate offering proceeds to acquire FDIC and/or

COMPENSATION TO TOWERS

(b) (i) the face amount of all issued Promissory Notes plus (ii) all actrued and unpaid interest due on such Promissory Notes (the "Excess Profits Amount"). Towers' profits are the assets of Towers and may be used (i) the face amount of the Accounts Receivable plus (ii) the Funds on deposit in the Funding Account exceeds for any corporate purpose as determined in the sole and absolute discretion of Towers. Towers will be entitled to transfer or use for its own account an amount equal to the amount by which (a)

make a prolit on such services: however, it has been represented that such fees or profits will not exceed able and collecting and servicing Accounts Receivable. Towers' affiliates and subsidiaries may charge a fee or those such affiliates and subsidiaries charge third parties and will be comparable to third party charges. Towers intends to utilize its subsidiaries and affiliates for the purpose of generating Accounts Receiv-

COLLECTION OF ACCOUNTS RECEIVABLE

any Accounts Receivable which become past duc at TCS's standard rates see "CONFLICTS OF INTER-EST" and "COMPENSATION TO TOWERS"). TCS is smaller full-service collection agency which has the ability to service all collections relating to this Offenng Isee "THE COMPANY"). Towers Collection Service. Inc. ("TCS"), a wholly compet providing of Towers, will be utilized to collect

COLLATERAL COVERAGE

the amount of the aggregate offering less cash on hand in the Funding Account (see "PROPOSED ACTIVI" TIES-Accounts Receivable as Collateral and Security"). Towers will maintain as collateral for this Offenng Accounts Receivable in the face amount of at least

THE COMPANY

directly and through its subsidianes and their predecessors has, over the past 16 years, provided accounts lowers is a publicly-traded corporation organized pursuant to the laws of the State of Delaware which.

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corporate headquarters are located at 417 Fifth Avenue. New York, New York 10016. factoring) and the collection of accounts receivable on a contractual basis for the account of others. Towers' vices include the purchase and recovery of accounts receivable for Towers' own account (commonly known as receivable financing and management services for over 20,000 corporate and healthcare clients. Such ser-

office space in New York City. In addition, Towers has established regional branch offices and satellite operexecutives in most of the states. Towers and its subsidiaries lease approximately 100,000 gross square feet of marketing staff of account executives and area managers plus regional managers. Towers employs area sales ations which provide coverage to all major states in the United States. tors who are paid on a commission-only basis for soliciting clients for Towers' services. Towers maintains a work of independent contractors to supplement its in-house sales force with over 1,000 independent contrac-As of June 30, 1991. Towers had a staff of approximately 600. In addition, Towers has an extensive net

icing or acquiring accounts receivable having an aggregate face value in excess of \$1 billion. ("TCS") (and certain other subsidiaries which are special-purpose subsidiaries) have engaged in either serv-Towers and its subsidiaries. Towers Credit Corporation ("TCC") and Towers Collection Service, Inc.

Offering Document under separate cover. The consolidated financial statements of Towers for the year ended June 30, 1991 are accompanying this

insurance analysts, insurance claims experts, collectors, paralegals, claims examinets, claims billers, claims supervisors and attorneys. In addition, Towers' staff of computer programmers has specially designed computer software programs to support Towers' healthcare financing activities. year ended June 30, 1991. Towers utilizes an experienced staff of collection professionals, including trained Towers serviced in excess of \$800,000,000 in outstanding debt for over 20,000 accounts during the fiscal

Directors and Executive Officers

The directors and executive officers of Towers are listed below. Except as otherwise set forth in the description of their business experience below, each of the persons listed has held his position with Towers since October of 1985.

Raymond Lewis	Richard Levine	Xavier Eboli	Anthony DiNicholas	Ben Barnes	Thomas B. Evans, Jr.	Michael Rosoff	Charles H. Chugerman	Mitchell Brater	Steven Hoffenberg	Name
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Checker and and the treatment	Vice President	Vice President	Senior Vice President	Director	Director	Director, Senior Vice President Chief Legal Officer and Assistant Secretary	Director, Executive Vice President and Secretary	Vice Chairman of the Board and Chief Operating Officer	Chairman of the Board. Chief Executive Officer and President	Position and Offices Held With Towers

been duly elected and qualified. Towers' executive officers are elected annually by, and hold office at the pleasure of, the Board of Directors. Towers' directors hold office until the next annual meeting of stockholders or until their successors have

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Brokers, Inc. (the prior owner of TCC and TCS) since their inception. Serven Hoffenberg has been the Chairman of the Board and President of TCC and Professional Business

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Eton's predecessors for more than the past five years. Eton Capital Corp. is a financial services company. 1987. Mr. Brater has also been President of Eton Capital Corp. and Eton Securities Corp. ("Eton"), and Mitchell Brater became Vice Chairman of the Board and Chief Operating Officer of Towers in November

Vice President, an Assistant Secretary, General Counsel and a Director of Towers in 1986. Mr. Rosoff has also been a Vice President. General Counsel and a Director of TCS and TCC since 1984. Michael Rosoff became a Senior Vice President and Chief Legal Officer at Towers in 1989. He became a

Charles H. Chagerman has been Vice President of TCC since 1985 and a Vice President of TCS since

of Manatt. Phelps. Rothenberg & Evans from 1985 to 1989. Mr. Evans currently serves as a Director of Ze-Thomas 8 Evars Jr. became a Director of Towers in 1990. Mr. Evans has been the President of the Evans Group Ltd., a Washington, D.C.—based consulting firm, since 1989 and was a senior partner in the law firm Representatives from 1977 to 1983. mex Corporation, a diversified minerals and materials firm. Mr. Evans served as Co-Chairman of the Repubican National Committee from 1971 to 1973. He was a member of the United States House

1969 to 1973 and as the Speaker of the House of Representatives of the State of Texas from 1965 to 1969. Mr. Barnes and Barnes-Connally Partnership filed voluntary petitions with the United States Bankruptcy Court in December 1987 and July 1987, respectively, under Chapter 7 of the United States Bankruptcy Code as a tant since 1987 and is currently operating under the name of Entrecorp. Prior to that, Mr. Barnes was the Chief Executive Officer of Barnes-Connally Partnership, a real estate and oil and gas holding and developresult of the severe economic dislocations in the Texas real estate and oil and gas industries during the mid 980 ment company, from 1981 to 1987. Mr. Barnes served as Lieutenant Governor for the State of Texas from Ben Barnes became a Director of Towers in 1990. Mr. Barnes has been a business and government consul-

rated and from 1985 to 1987. Mr. DiNicholas was a secunities broker with Bear. Steams & Co., Inc. April 1989 to September 1989, and a Vice President at Security Pacific National Bank from 1987 to 1989. From 1986 to 1987, Mr. DINicholas was a Vice President at Smith Barney. Harris Upham & Co., Incorpo-Anthony DiNicholas, prior to joining Towers in 1989, was a Vice President at First Ohio Securities from

also been a Director of TCC since 1989 and a Director and President of TCS since 1985. χ avier Eboli has been a Director of Towers since 1988 and a Vice President of Towers since 1986. He has

Richard Levine has been a Vice President of Towers since 1984.

Resmond Lewis has been a Vice President and Director of TCC since prior to 1984

CONFLICTS OF INTEREST

charge a third party. ers. Towers has represented that it will not cause an affiliate to charge any more for its services than it would affiliates of Towers may be involved in acquiring, servicing, collecting or selling Accounts Receivable to Towingly may have a conflict of interest in the purchasing and administering of Accounts Receivable. Various Towers is acquiring Accounts Receivable for its own account and for the account of others and accord-

Accordingly, there may be a conflict as to the acquisition of accounts receivable and the servicing thereof Further. Towers is sponsoring either directly or through affiliates, other accounts receivable programs

ADDITIONAL INFORMATION

Investors or their professional advisers will be provided with the opportunity to request additional information from Towers, which to the extent reasonably available, will either be furnished to such investors or available at the Company's offices for review. Such information includes the following:

Certificate of Incorporation of Towers:

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By-Laws of Towers; and

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Opinion of Counsel as to the legality of the securities.

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PLAN OF DISTRIBUTION

anniversary of Sale and Acceptance (for an aggregate of 12%); 4% will be paid for the sale of 24-month Prom-issory Notes and an additional 4% per 24-month Unit will be paid one year from Sale and Acceptance (for an Promissory Notes upon Sale and Acceptance, 4% one year from Sale and Acceptance and 4% on the second an aggregate of 4%) aggregate of 8%); and 4% for the sale of 12-month Promissory Notes payable upon Sale and Acceptance (for National Association of Securities Dealers, Inc. in which case commissions of: 4% for the sale of 36-month ther (1) directly (in which case no commissions will be paid); or (2) through broker-dealers registered with the The Company is self-underwriting this offering of Promissory Notes for sale on a best-efforts basis ei-

LEGAL MATTERS

preparation of this Offening Document. Bronson & Migliaccio. New York, New York, was retained as special counsel for the Company for the

PROMOTIONAL AND SALES LITERATURE

than those contained in this document or the exhibits hereto and. If made, such representation must not be for this document and the exhibits hereto. No person has been authorized to make representations other No offering literature or advertising in any form shall be employed in the offering of these Units except

LITICATION

has retained independent counsel to provide a written opinion and certain other advice to Eton regarding compliance with Section 5, 3(b), 4(2) or 4(b) of the Securities Act of 1933, as amended, depending on the denying the Securities and Exchange Commission's allegations, consented to the entry of a judgment of per-Securities and Exchange Commission. The Company, TCC and Steven Hoffenberg, without admitting or to the public by such persons without first having a registration statement on file and declared effective by the States District Court for the Southern District of New York (88 Civ. 5421) against the Company, TCC. Steven Econ from participating in any public and certain private offenings of securities for three years unless Econ er, investment company, investment advisor or municipal securities dealer for 60 days and (iii) prohibiting offenngs of securities for 60 days. (ii) prohibiting Mitchell Brater from any association with any broker, dealfrom the civil action discussed above (i) prohibiting Eton from participating in any public and certain private Order on May 13, 1989 by the Secunites and Exchange Commission in an administrative proceeding separate tered broker-dealer, and Mitchell Brater, in his capacity as President of Eton, consented to the entry of an on April 27, 1989. As a result of the same allegations as are discussed above. Eton, in its capacity as a regis-Exchange Commission's allegations, consented to the entry of a judgment of similar permanent injunction ties Act of 1933, as amended. Mitchell Brater and Eton, without admitting or denying the Securities and manent injunction on November 16. 1988 enjoining them from violating Sections 5(a) and 5(c) of the Secun-Hoffenberg. Mitchell Brater and Eton alleging that offers and sales of certain securities of TCC were made Section applicable to the particular offering On August 4, 1988, the Securities and Exchange Commission commenced a civil action in the United

securities registration requirements of Nebraska law. The Consent Order imposed a \$5.000 penalty and fine on the Company and TCC and required maintenance of a current registration or claim of an applicable exin an administrative proceeding against the Company and TCC after finding that the permanent injunction entered against the Company and TCC as described above, disqualified the Company and TCC from using emption at all times offers and sales of their securities are made in Nebraska. of certain promissory notes and, as a result, three of such sales in Nebraska were made in violation of the the private offering exemption from registration that is provided in the Nebraska Revised Statutes, for sales On June 11, 1990, the State of Nebraska Department of Banking and Finance entered a Consent Order

tion of such sales with the Alabama Securities Commission. The Administrative Order directed TCC bama Securities Commission following a determination by the Alabama Securities Commission that TCC sold its promissory notes to nonaccredited investors in violation of the terms of an exemption from registrafrom the State of Alabama in violation of the Alabama Securities Act. cease and desist from any offer or sale of any securny or from any other securities activities into, within, or On February 20, 1990, TCC consented to the entry of an Administrative Order against TCC by the Ala-

neither admitted nor denied any liability that (the Company) is in violation of the Louisiana Securities Act, in that the (promissory notes) were not registered in the State of Louisiana." In consenting to the entry of the Cease and Desist Order, the Company did not comply with the requirements for an exemption from registration under Louisiana securities laws and sioner of Securities for the State of Louisiana ordering the Company to cease and desist any activities which are in violation of the Louisiana Securities Act. The Louisiana Cease and Desist Order arose out of an invesregulations. In the Cease and Desist Order, the Louisiana Commissioner of Securities stated that "it appears Company through Biedenharn Investment Group. Inc. were sold on behalf of the Company in a manner that tigation by the Louisiana Commissioner of Securities into whether certain promissory notes offered by the On January 8, 1991, the Company consented to the entry of a Cease and Desist Order by the Commis-

notice of exemption within 30 days of completion of the offering. emption against TCC relating to its 1988 private offering of promissory notes due to the failure to timely file a In addition, on October 17, 1989, the New Jersey Bureau of Securities issued an order of denial of ex-

al. v. Emest M. Solomon, et al., Case No. 89 C 0913 (N.D. III.) a damage award that would have a material adverse effect on the Company. Towers Financial Corporation, et counterclaim is without ment and that an adverse determination on this remaining count would not result in ry and punitive damages be dismissed. The Company believes that the remaining count contained in the the District Court grant the Company's motion, and that those counts of the complaint seeking compensato-Judge Edward A. Bobrick, to whom the Company's motion was directed, filed a report recommending that complaint based upon fraud, conversion and alleged RICO violations. On September 24, 1991, Magistrate their actual damages, if any, as determined by the Court. The Company moved to dismiss those counts of the tions of the Racketeer Influence and Corrupt Organizations Act ("RICO"), and seeks triple the amount of use of UDC assets for expenses not related to the business of UDC). The counterclaim also alleges violaactions alleged to have been taken by Steven Hoffenberg, the Company and others (primarily, the alleged to have been made in connection with the Company's acquisition of the UDC common stock and subsequent and conversion by the Company. Steven Hollenberg and others as a result of certain representations alleged common stock. In April, 1990, defendants counterclaimed for compensatory and punitive damages for fraud acquisition of the UDC common stock and actions taken by Solomon subsequent to his sale of the UDC frauded by the defendants as a result of certain misrepresentations made in connection with the Company's common stock of United Diversifed Corporation ("UDC") in 1987. The Company alleges that it was derescission and damages in connection with the sale by Solomon to the Company of approximately 83% of the The Company instituted a lawsuit in 1989 against Emest M. Solomon ("Solomon") and others seeking

National Bank of Schiller Park, et al.; Case No. 89 C 3267 (N.D. III.). tained by the banks. Cadillac Insurance Company v. The American National Bank of Schiller Park fikla First controlled by Solomon. Pending further order by the United States District Court, the funds are being recipal amount of approximately \$3.5 million plus interest, totalling approximately \$4.1 million as of March 31. 1991. There are other claimants to the fund, including the Illinois Insurance Director and the Michigan Insurance Director in the latter's capacity as receiver of Cadillac Insurance Company, a company formerly On UDC's behalf, the Company is a claimant to certilicates of deposit held by several banks in the prin-

the Illinois Insurance Director instituted liquidation proceedings against United Fire Insurance Company tion on the basis that UDC is not an insurance company and, therefore, is not subject to liquidation or conser also placed UDC into a conservatorship and petitioned for liquidation of UDC. UDC is contesting that petiliquidation proceedings, the subsidiaries acquiesced to the Director's liquidation petitions. The Director and Associated Life Insurance Company, two wholly owned UDC subsidiaries. After initially contesting the The Company is involved in additional litigation arising out of its acquisition of the UDC stock. In 1988.

vatorship under the Illinois Insurance Code. That action is still pending. People of the State of Illinois ex rel. John E. Washburn. etc. v. United Fire Insurance Company, et al.; Case No. 88 CH 6942 (Cir. Ct. Cook Cty. 88 CH

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tion. Agency Act must be reviewed by an independent certified public accountant in New York. (iii) access to the records required to be maintained in California must be provided to the Bureau upon demand. (iv) the sons engaged in conduct as a collection agency in California to hold a valid collection agency license for each Code between August 1989 and June 1990, including alleged violations of provisions that require (i) all per an "Accusation" alleging that the collection agency license of the Company's California subsidiary is subject discussions, it is expected that the California Department of Consumer Affairs will, in the near future, issue of the Company) of certain California laws and regulations applicable to collection agencies. Based on these the Bureau may, after notice and hearing, impose whatever discipling is appropriate and authorized by law if it ceases California operations and (vi) in the event the terms of the administrative probation are violated Bureau must be paid approximately \$31.200 for the costs it incurred. (v) the subsidiary must notify the Bureau collection agencies and debt collection. (ii) the records required to be maintained by the California Collecthe following terms and conditions: (i) the subsidiary must obey all laws and regulations related to licensed Services of the Department of Consumer Affairs. Pursuant to the Order, it is expected that the collection prejudice in exchange for entry of an Order against Towers' California subsidiary and the stipulation by the also expected that simultaneously with the issuance of the Accusation, the Accusation will be dismissed with cord for a period of three years and (iv) faithful discharge of obligations regarding form attorney letters. It is (iii) a licensee to maintain accounts and records of transactions conducted in California at its address of retance of all money then due to each customer within 60 days after receipt of payment on any claim or account to disciplinary action as a result of violations of various sections of the California Business and Professions fairs regarding alleged violations by Towers Collection Services of California. Inc. (a wholly-owned subsiders agency license of Towers' California subsidiary will be placed on administrative probation for three years on subsidiary that it is subject to the jurisdiction and requirements of the Burcau of Collection and Investigative location at which such conduct is engaged. (ii) a licensee to render a written statement of account and remit The Company, through counsel, has had discussions with the California Department of Consumer Af

omon, which made representations to Towers, was insolvent in 1985 and 1986 prior to the acquisition. covery that show that Cadillac Insurance Company, a company formerly controlled by the seller. Elmest Solto another judge who disallowed Towers' defense with prejudice. This action has resulted in a judgment against United Fire Insurance Company, a wholly-owned subsidiary of UDC, which claim arose prior to Tow has possed the requisite appeal bond. F.H. Prince & Company v. Towers Financial Corporation, 891.-15714 (Cir Towers is appealing based upon the above defenses and upon new facts that have come to light through dis againsi Towers (which became final on May 8. 1991) of \$767.986.86, plus attome) sifees and court costs, which adequately pleaded and accordingly he granted Towers time to replead. The case was subsequently assigned the above-stated defense of Towers was deficient as pleaded, he stated that such a collense would be valid if ation. Although the judge to whom the F.H. Prince & Company case was originally assigned indicated that the foreoging untrue representations and because F.H. Prince & Company provided no valuable considerunitrie. Towers' defense in this litigation is that the Towers' guarantee is voidable because it was induced by litigation and in this litigation. Towers has asserted that the seller's representations made to Towers were the seller of UDC which are the subject of the *Towers v. Solomon* littgation discussed above. In the Solomon ers' acquisition of UDC. Towers agreed to guarantee the settlement based upon the representations made by Towers is also involved in Ittigation stemming from settlement of a claim of F.H. Prince & Company

CLOSSARI

"Acr" means the Securities Act of 1933, as amended.

by Towers with the proceeds of this Offering. "Accounts Receivable" means HealthCare and Business Accounts Receivable of various third party companies and RTC and FDIC loans and receivables which meet Towers' enteria for purchasing and which are acquired

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- "Accounts Receivable Managemou" means the management of the recovery and collection of Accounts Re-
- "Bank" means Chase Manhattan Bank, N.A.
- "Business Accounts Receivable" means accounts receivable of third party business companies
- "Company" means Towers Financial Corporation, as the Issuer.
- "Excest Profits Amount" means an amount equal to the amount by which (a)(i) the face value of the Accounts Receivable plus (ii) the Funds on deposit in the Funding Account exceeds (b)(i) the face amount of all issued Promissory Notes plus (ii) all accrued and unpaid interest due on such Promissory Notes.
- "Federal Securities Act" means the Securities Act of 1933, as amended.
- "FDIC" mean the Federal Deposit Insurance Corporation
- "Funding Account" means the interest-bearing account in which the Funds are deposited
- "Funds" means the monies received from Accredited Investors and the proceeds of the Accounts Receivable.
- "Healthcare Accounts Receivable" means accounts receivable from groups in the health-care industry.
- "Healthcare Purchase Contract" means the agreement by which Towers acquires Healthcare Accounts Re-"Healtheare Provider" means a hospital, doctor, medical group, health maintenance organization, rehabilitation center and other healthcare providers.
- ceivable from Healthcare Providers.
- "Notes" means the 12-month, 24-month and 36-month Promissory Notes. "Investor" means any holder of a Promissory Note who is an Accredited Investor
- "Offering" means this Confidential Private Offering Document
- **Offering Termination Date* shall mean the earlier of the date all of the Units have been sold or October 14.
- credited Investors pursuant to this Offenng. Promissory Note" means either a 12-month, 24-month or 36-month promissory note issued by Towers to Ac-
- "RTC" means Resolution Trust Company.
- "Security Agreement" means the agreement executed by Towers, the form of which is attached hereto as Ex-
- "Stated Value" means the agreed upon purchase price for the Account Receivable which is generally the face value of such Account Receivable.
- "Subscription Documents" means the Subscription Agreement, the Purchaser Questionnaire and the Inves-"Subscription Agreement" means the subscription agreement attached hereto as Exhibit I(B)
- "TCC" means Towers Credit Corporation. a wholly-owned subsidiary of Towers.
- "TCS" means Towers Collection Service, Inc., a wholly-owned subsidiary of Towers
- or RTC loans and receivables "Third Party Obligor" means the debtor who is obligated to make payments on the healthcare, business, FDIC
- Towers" means Towers Financial Corporation, a Delaware corporation which is publicly traded
- "Unit" means a Promissory Note for \$100,000

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INSTRUCTIONS TO SUBSCRIBERS

instructions. Accompanying the Offering Document, you will find (i) the Subscription Agreement with signature page in duplicate and (ii) Investor Questionnaire which you must complete in accordance with the following

1. Investor Questionnaire.

Please read, complete and sign the Investor Questionnaire

2 Subscription Agreement

(a) Please read, complete the Subscription Agreement and sign two copies of the signature page:

the signature pages. (b) Have your signatures notarized by a notary public on the acknowledgment forms accompanying

DO NOT SIGN THE SUBSCRIPTION AGREEMENT UNLESS YOU ARE CERTAIN YOU CAN MAKE ALL THE REPRESENTATIONS CONTAINED IN THE AGREEMENT.

3. Purchaser Representative Questionnaire.

must be completed and which is available upon request. If you used the services of a "purchaser representative," the purchaser representative questionnaire

4. Payment.

The subscription price is to be paid by check in the amount of \$100,000 per Unit made payable to the order of "Towers Financial Corporation, Funding Account."

5. Special Instructions for Trustees and Agents.

Trustees, agents or other persons acting in a representative capacity are required to furnish with the completed Subscription Agreement (i) a copy of the trust agreement, power of attorney or other instrument granting the power and authority to subscribe, or (ii) an opinion of counsel as to such power and authority. In addition, such persons must indicate on the completed Subscription Agreement the name of the person or

6. Acceptance of Subscription.

entity for whom he is acting as trustee or agent.

tion. 417 Fifth Avenue. New York. New York 10016. If your subscription is accepted, you will receive shortly thereafter (a)one copy of the Subscription Agreement executed by an officer of the Company and (b)original Promissory Note executed by the Company in the amount subscribed. Deliver completed Subscription Documents and payment for the Units to Towers Financial Corpora-

TOWERS FINANCIAL CORPORATION

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Private Offering of \$100,000,000 of Recourse Promissory Notes of \$100,000 each For: Accredited Investors Only

The offering of secured recourse non-negotiable promissory notes (the "Promissory Notes") issued by Towers Financial Corporation, a Delaware corporation (the "Company"), as more fully described in the Offering Document, dated October 15, 1991, will be made to Accredited Investors only pursuant to Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act").

You agree that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the offer and sale of Promissory Notes to you will not result in violation of the exemption from registration under the 1933 Act, described above, or any applicable state securities laws; however, this document will otherwise be kept confidential by the Company. The purpose of this questionnaire is to assist the Company in complying with the above requirements.

term "you" shall mean such corporation, partnership, trust or other entity. If you are acting as agent for a corporation, partnership, trust or any other entity, any reference to the

Except as set forth herein, your answers to this questionnaire will, at all times, be kept strictly confiden-

If the answer to any question is "None" or "Not Applicable." please so state

Please complete this questionnaire as fully as possible, and sign, date and deliver one copy thereof to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016.

PLEASE PRINT

ase provide the following information if you are investing as an individual. (If you are purchasing on talf of a corporation, partnership, trust, or any other entity, please complete part If below). In addi- n, please provide the same information for any joint tenant or tenant-in-common:
--

Name (1)	(2)	
Date of Birth (1) (2)	Marital Status (1)	(2)
Permanent Home Address (1)	(2)	
	(Zip)	(Zip)
Home Telephone Number (1) ((2) ()	
Social Security No. (1)	(2)	
Citizenship (1)	(2)	

EXHIBIT

		-	2 (if joint	(if joint purchaser)
Names of Employer (1)	(I)	(2)		
Nature of Business	0	(2)		
Position(s)	(1)	(2)		
General Duties	(D)	(2)		
Business Address				
		Į.		
Business Telephone Number (1)(lumber (1)()		(3) (
Please describe your employment positions or occupations during the last five years (listing the inclusive dates of each) indicating any and all vocationally related expenence in financial and business matters:	mployment positions	s or occupations during onally related expensions.	ng the last five years (ence in financial an	(listing the inclusiv d business matters
Employment, Position or Occupation	, ,	Nature of Duties	<u> From:</u>	ᅙ
:				
(2)				
Are you acting for your own account?				
If you are not acting for your own account, please complete the following:	OF CHANGE	Yes No	L	
	or your own account:	it, please complete ti	he following:	

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II. Please complete the following if you are investing on behalf of a corporation, partnership, trust or other NOTE: ANY INDIVIDUALS REPRESENTED BY YOU MUST BE QUALIFIED AS "PURCHASERS" PURSUANT TO THE ACT AND SHOULD EACH COMPLETE A COPY OF THIS QUESTIONNAIRE. State and Year of Organization Business Telephone Number **Business Address** Fiscal year_ Name of corporation, partnership, trust, pension plan, or entity, Authorized Person to Contact Business Activities Employer Identification No. Ē Ē Name, address and telephone number of persons you represent: Please attach evidence of authority. (inte (diz

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1. At this time, is your individual net worth (or joint net worth with your spouse) in excess of \$1,000,000?

Yes() No()

Did your individual adjusted gross income (increased by any deduction for long term capital gains or depletion, any exclusion for interest and any losses of a partnership as reported on Schedule E on Form

III. PLEASE ANSWER THE FOLLOWING QUESTIONS.

For Individuals only:

1040) from all sources for each of the two taxable years preceding this date exceed \$200,000 (or if jointly with spouse \$300,000)? Yes () No ()

'n If you have had income from all sources of \$200,000 (or if jointly with spouse \$300,000) for each of the past two taxable years, do you reasonably expect your income from all sources for the current taxable year to exceed \$200,000 (or if jointly with spouse \$300,000)?

Yes () No ()

for Corporations. Charitable Organizations and Partnerships Only:

If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment herein is directed by a sophisticated person as described in Section 230.506(b)(2)(ii) are your total assets in excess of \$5.000,000? For Trusts Only: If you are a 501(c)(3) organization, corporation, Massachusetts or similar business trust, or partnership, do you have total assets in excess of \$5,000,000? **૪**લ્ડ () ₹ ()

Yes () No ()

for Banks. ERISA plans. SBICs. investment companies under the 1940 Act. etc. Do you otherwise qualify as an accredited investor under the following definition:

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either a bank. savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investthe investment decision is made by a plan fiductary, as defined in Section 3(21) of such Act, which is employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if subdivisions for the benefits of its employees if such plan has total assets in excess of \$5.000.000: any tained by a state, its political subdivisions, or any agency or instrumentality of a state or its political der Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and mainment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act: any Small Business Investment Company licensed by the U.S. Small Business Administration unas defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance Any Bank as defined in Section 3(a)(2) of the Act. or any savings and loan association or other institution ment decisions made solely by persons that are accredited investors. company as defined in Section 2(13) of the Act any investment company registered under the Invest-

Yes (% ()

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For all Investors. Please complete the following questions and information requested:

Are you aware that the proposed offering of Promissory Notes requires your capital investment to be maintauned for the term of your Promissory Note (12-months, 24-months or 36-months, as the case may be)?

es C % ()

Please indicate the general, business or professional education and the degrees received by you (or. if the purchaser is a corporation, partnership, trust or other entity, by the person completing this question-

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I (we) acknowledge that the foregoing statements are true and accurate to the best of my (our) informa-	often (2) occasionally (3) securiaes: often (3) occasionally (3) securiaes: Indicate in the space provided below, any additional information which you think may be helpful in determining that your knowledge and experience in financial and business matters is sufficient to enable you to evaluate the ments and risks of investing in the securities offered pursuant to the Offering Document of which this forms a part.	(c) Frequency of investment in options: often (): occasionally (): seldom (): never (). (d) Frequency of investment in securities purchased on margin: often (): occasionally (): seldom (): never ().	Investment Experience: (a) Frequency of investment in marketable securities: olten (): occasionally (): seldom (): new (b) Frequency of investment in commodities futures: often (): occasionally (): seldom (): new	College
ng statements are true and accura	my or investment in iniquia securities: often (): occasionally (): seldom (): never (). he space provided below any additional information which at your knowledge and experience in financial and busin at your knowledge and experience in financial and busin ate the ments and risk of investing in the securities offer this forms a part.	ncy of investment in options: often (): occasionally (): seldom (): never (): ncy of investment in securities purchased on margin: often (): occasionally (): seldom (): never ():	Experience: Experience: Incy of investment in marketable securities: often (): occasionally (): seldom (): never (): Nay of investment in commodities futures: often (): occasionally (): seldom (): never ():	Degree Received
ate to the best of my (our) informa-	ch you think may be helpful in de- ness matters is sufficient to enable cd pursuant to the Offering Docu-			Year

Print Name of Joint Tenant or Tenant-in-Common, if applicable) (Print Name) (Signature)

(Signature of Joint Tenant

Tenant-in-Common, if applicable) (Title, if Applicable)

Place of Execution:

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Purchase Price.

TOWERS FINANCIAL CORPORATION SUBSCRIPTION AGREEMENT

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Gentlemen:

FINANCIAL CORPORATION, a Defaware corporation (the "Company"), as more fully described in the offering document, dated October 15, 1991 (the "Offering Document"), and I agree to pay for the Promissory Each of the capitalized terms which are used in this Subscription Agreement shall have the same meaning as Notes subscribed for by me in the manner which is described in Article "2" of this Subscription Agreement are set forth in Article "II" of this Subscription Agreement (the "Promissory Notes") issued by TOWERS hose terms have in the Offering Document. I hereby subscribe to purchase the number of secured recourse non-negotiable promissory notes which

at the sole discretion of the Company). I am horowith tendering payment for the subscribed for Promissory. Notes by regular, bank or certified check payable to "Towers Financial Corporation, Funding Account" equal to \$100,000 per Promissory Note (or such fraction thereof that is permitted by the Company) The purchase price for each Promissory Note (the "Subscription Price") is \$100,000 (subject to reduction

accepted. all funds paid by me will be returned promptly to me without interest and without deduction of escrow costs. Upon receipt of such funds I will forthwith return the Offering Document and all other subscription documents to the Company. In the soile and absolute discretion of the Company, less than the full amount subscribed for by me may be accepted, whereupon the excess funds tendered by me will be promptly Lunderstand that the offering will terminate on or before October 14, 1992. If my subscription is not

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It is understood that this subscription is not binding unless and until it is accepted by the Company. I also understand and agree that my subscription to purchase Promissory Notes shall not be deemed binding upon the Company until the funds paid by me herewith are submitted to the Company, clear and are credited to the Company. the Funding Account.

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Ļ Representations and Warranties of the Undersigned.

including all atlanments and exhibits thereto and the 1991 Annual Report of the Company including the Audited Financial Statements contained therein. I further acknowledge that, except as set forth in the Officer of National Audited Financial Statements contained therein. concerning the offering, written or oral, other than that contained in the Offering Document. the Promissory Notes and/or the investment made thereby, and that I have not relied upon any information my advisors, by the Company, or by any person acting on behalf of the Company, with respect to the sale of fering Discument and the 1991 Annual Report, no representations or warranties have been made to me, or to including all attachments and exhibits thereto and the 1991 Annual Report of the Company including Lacknowledge that I have received, read, understand, and am familiar with the Offering Document,

Questionnaire relating to my general ability to bear the risks of the investment being made hereby and my suitability as an Investor, and I hereby affirm the correctness of my answers in such questionnaire. I further acknowledge that I have received, completed and returned to the Company, the Purchaser

I further represent and warrant to the Company. Counsel to the Company, and their respective Affili-

have sufficient liquid assets to pay the full purchase price for each Promissory Note in the manner con-(a) I can bear the economic risk of this investment and can afford a complete loss thereof: and I(i)

Case 3:96-cv-01023-I

possible personal contingencies, and have no present need for liquidity of my investment in the Promissory Notes: (iii) have a net worth presently of at least an amount indicated by me in Part III of my Investor Questionnaire delivered simultaneously herewith: and (iv) qualify as an "Accredited Investor" fined in Regulation D which was promulgated under the 1933 Act as follows: templated by the Offering Document; (ii) have adequate means of providing for my current needs and

- Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section XaXSXA) of the Act whether acting in its individual or Iductary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered any insurance company as defined in Section 2(13) of the Act; any investment company registered Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of credited investors: \$5.000,000 or, if a self-directed plan, with investment decisions made solely by persons that are acin excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in ity of a state or its political subdivisions for the benefits of its employees if such plan has total assets plan established and maintained by a state. Its political subdivisions, or any agency or instrumental ness Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any tion 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business under the Investment Company Act of 1940 or a business development company as defined in Sec.
- Any private business development company as defined in Section 202(a)(22) of the Investment Ad VISETS ACT OF 1940:
- Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massa-chusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

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- Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general panner of a general panner of that issuer:
- Any natural person whose individual net worth, or joint net worth with that person's spouse at the time of his purchase exceeds \$1,000,000:
- and has a reasonable expectation of reaching the same income level in the current year: Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years

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- 9 Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section
- Any entity in which all of the equity owners are accredited investors.

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- sonally selected by me, as I found necessary to consult concerning the purchase of the Promissory Notes. ence in business and financial matters to evaluate the information set forth in the Offering Document sons with whom I have found it necessary or advisable to consult, have sufficient knowledge and expen financial, recording, and secunties law aspects thereof. I, my counsel, my advisors, and such other perand such representation has included an examination of applicable documents and an analysis of all tax and the risks of the investment, and to make an informed investment decision with respect thereto. (b) I have been represented by such legal and tax counsel and others, each of whom has been per
- personal tax advisors, and upon my own knowledge with respect thereto. (c) With respect to the tax aspects of my investment, I am relying solely upon the advice of my own
- the date hereof. I have had the opportunity to ask questions $\phi(\cdot)$ and to receive answers from the Compa (d) Any and all information has been made available to me, my counsel and my advisors, prior to

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- ment, and that I must bear the economic risk of my investment herein for an indefinite period of time because the offering has not been registered under the 1933 Act and, therefore, the Promissory Notes applicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) of amended (the "1933 Act"), not pursuant to the provisions of the securities or other laws of any other tion from such registration is available. cannot be offered or sold unless the offering is subsequently registered under the 1933 Act or an exemptransferability and assignment of the Promissory Notes, as more fully set forth in the Offering Docubased upon my representations, warranties and agreements. I am fully aware of the restrictions on sale, that the Promissory Notes subscribed for by me are to be sold to me in reliance upon such exemptions the 1933 Act. Regulation D promulgated thereunder and the laws of such jurisdictions. I am fully aware (c) I understand that the offering has not been registered under the Securities Act of 1933,
- taking, agreement or arrangement. distribution thereof, in whole or in part. I have no present plans to enter into any such contract, underers and for investment purposes only and not with a view to or for the transfer, assignment, resale or Document. I am making the investment hereunder for my own account and not for the account of othwhich I acquire pursuant to this offering without complying with the procedures set forth in the Offering essary action. I will not pledge, transfer or assign this Subscription Agreement or the Promissory Notes (f) My execution and delivery of this Subscription Agreement have been duly authorized by all nec-
- shall survive my death or disability, except as pursuant to the laws of the applicable jurisdiction. executed by me with respect to the purchase of a Promissory Note, and that this Subscription Agreement (g) I agree that I shall not cancel, terminate or revoke this Agreement or any other agreement
- scant degree of risk and that there is no guarantee that I will realize any gain from my investment (h) I am aware that the purchase of a Promissory Note is a speculative investment involving a signif-
- becoming a resident of any other state or jurisdiction prior to my purchase of the Promissory Note. (i) The address set forth below is my true and correct residence, and I have no present intention of
- survive such purchase. purchase of the Promissory Note subscribed for herein. Each such representation and warranty shall ties, which are true and correct as of the date hereof and will be true and correct as of the date of my (j) I understand the meaning and legal consequences of the foregoing representations and warran-

any and all damages, losses, costs and expenses (including attorneys' fees and disbursements) which they, or this subscription or by reason of my breach of any of my representations and warranties contained herein. any of them, may incur by reason of my failure, or alleged failure, to fulfill any of the terms and conditions of I hereby agree to indemnify and hold harmless the Company. Counsel, and their Affiliated persons from

Blue Sky Representations

- dence which appears in Article "10" of this Subscription Agreement (a) Residents of any State. I have read the junsdictional notice applicable to the State of my resi
- 517.061(11Xa)(5) of the Florida Securities Act. to withdraw my subscription and receive a full refund of all monies paid by me to the Company within three business days after the execution of this Subscription Agreement or payment for the Promissory Notes has been made, whichever is later. Withdrawal will be Residents of Florida. I hereby acknowledge that I have the right, pursuant to Section

orally (either in person or by telephone). I must request written confirmation that such request by me is prudent to send such letter by certified mail, return receipt requested. to ensure that it was received pany, indicating my intention to withdraw. I acknowledge that such letter or telegram should be sent or postmarked prior to the end of the aforementioned third business day. I have also been informed that it and also to evidence the time when it was mailed. I also understand that should I make this request without any further liability to me. To accomplish this I need only send a letter or telegram to the Com

transaction which is exempt under the Michigan Securities Act or pursuant to an effective Registration Statement under the Michigan Securities Act. (c) Residents of Michigan. 1 agree that I will not sell or transfer my Promissory Note(s) except in a

I acknowledge that I have received the Offering Document and am aware of the following:

- (i) The intended use of the proceeds of this Offering:
- (ii) The current financial condition of the Company;
- Affiliates from this Offering: (iii) The direct or indirect compensation which has been or will be received by the Company and its
- is \$100,000 per Promissory Note; and (iv) The securities being offered hereunder are Promissory Notes and the purchase price therefore
- runding Account and the purchase and collection of the Accounts Receivable (v) For my representative may inspect the books and records of the Company which relate to the
- phone to the Company. I understand that I must ask for written confirmation that my request has been also to evidence the time when it was mailed. Should I make this request orally, in person or by teleposimarked prior to the end of the aforementioned second business day. If I send a letter, I understand together with copies of the signature pages of the Agreement without incurring any liability to the Com-pany, its affiliates or to any other person. To accomplish this withdrawal. I need only to send a letter or from the date of purchase. received. Tagree not to self or transfer any of the Promissory Notes for a period of at least twelve months that it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and telegram to the Company, indicating my intention to withdraw. Such letter or telegram must be sent or Subscription Agreement and to receive a full refund of all funds paid on account of this subscription Pennsylvania resident may elect, within two business days of the date of execution, to withdraw from this (d) Residents of Pennsylvania. Pursuant to the Pennsylvania Securities Act, Section 207(m), each
- tion which is exempt under the Texas Securities Act or pursuant to an effective Registration Statement under the Texas Securities Act. (e) Residents of Texas. Lagree that I will not sell or transfer my Promissory Notes except in a transac-

Acceptance by the Company

Except as set forth herein, this Subscription Agreement is irrevocable. It is subject to all of the terms and provisions contained in the Offering Document. It may be accepted, in whole or in part, by the Company executing this Agreement, and mailing a duplicate copy to the undersigned. The Company reserves the right in its sole discretion to reject this subscription in whole or in part.

ties expressly agree that all of the terms and provisions hereof shall be construed in accordance with, and governed by the laws of the State of New York applicable to contracts fully to be performed therein, may not be modified or waived except in writing, and is subject to all of the terms and provisions contained in the Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the par-

the subject matter hereof and may be amended only by a writing executed by all parties. (b) This Agreement constitutes the entire Agreement between the parties hereto with respect to

Page

- pursuant to this Agreement in the absence of gross negligence, misfeasance, malfeasance or fraud. The Company, counsel, and their respective Affiliates shall not be liable for taking any action

sales of Promissory Notes can be made. strued to mean that the Promissory Notes have been cleared or are otherwise available for sale in that state The Company will maintain a list, which will be available upon request, of those states in which offers and It should be noted that the inclusion of a notice under state securities laws below should not be con-

DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER DEALERS MUST CONFIRM WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN EXEMP. TION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION,

CREDITED INVESTORS" IN SUCH STATE. INPERATIVE THAT BROKER DEALERS VERIFY THAT POTENTIAL INVESTORS QUALIFY AS "AC IN ADDITION. SOME STATES' DEFINITION OF "ACCREDITED INVESTOR" DIFFERS FROM THE DEFINITION SET FORTH AT 431 OF THIS SUBSCRIPTION AGREEMENT. THEREFORE, IT IS

FOR ALABAMA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATE. NIENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES. NOR DOES IT PASS UPON THE ACCURACY OR COMPURCHASE OF ANY SECURITIES. PLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIVINAL OFFENSE

FOR ALASKA RESIDENTS ONLY. THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF JACK 08.500-JACK 08.500-QUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERTIS. REC. ONMENDED OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CON-TRARY IS A VIOLATION OF AS 45.55.170

THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. IN MAKING AN INVESTMENT DECISION ON THESE SE

THAT THE OFFERING DOCUMENT IS TRUE OR ACCURATE, NOR DOES SUCH GRANT OF EXEMPTION MEAN THAT THE COMMISSION HAS PASSED UPON THE MERITS OF OR FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION OTHERWISE APPROVED THE SECURITIES DESCRIBED HEREIN

THE AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES. MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE. APPROVED OR DISAPPROVED THE OFFERING. OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION FOR JAKANSAS RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 23-42-50(4)(1) OF THE ARKANSAS SECURITIES ACT AND RULE 506 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS TO THE CONTRARY IS UNLAWFUL NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURI

FOR CALIFORNIA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE. IF SUCH REGISTRATION IS REQUIRED.

AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, OR THE COLORADO SECU FOR COLORADO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED RITIES ACT OF 1981. IF SUCH REGISTRATION IS REQUIRED

FOR CONNECTICUT RESIDENTS OF THE CONNECTING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT. AND. THEREFORE. THE SECURITIES CANNOT BE SOLD THE SECURITIES CANNOT BE SOLD THE SECURITIES OF THE SECURI OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR CONNECTICUT RESIDENTS ONLY. THE SECURITIES REFERRED TO IN THE OFFER

TANT OK WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE FOR FLORIDA RESIDENTS ONLY: FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES ARE NADE TO FIVE OR MORE PERSONS PURSUANT TO SECTION 317.061(11)34X5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT. SUCH SALES ARE VOIDABLE 3E500.005(5)(a)(12)). PANY OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE BY THE PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COM-

RITIES LAWS AND THAT TOWERS IS SUBJECT TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF GEORGIA. THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS SENT DECREE ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED OCTOBER 15. 1991. PROVIDES THAT TOWERS IS PERMANENTLY ENGINED FROM VIOLATING THE SECU-APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMMISSION HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO ALL FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CON-

DER THE IDAHO SECURITIES ACT AND. FOR IDAHO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UN THEREFORE. CANNOT BE RESOLD OR TRANS

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FERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR ILLINOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR DEQUACY OF THE OFFERING DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECURITIES ARE BEING SOLD PURSUANT TO THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

FOR LOUISIANA RESIDENTS ONLY: THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

MAINE RESIDENTS: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OR THE STATE OF MAINE UNDER SECTION 10502(2) (R) OF THILE 32 OF THE MAINE REVISED STATUTES. THESE SECURITIES MAY BE DEEMED RESTRICTED SECURITIES AND AS SUCH THE HOLDER MAY NOT BE ABLE TO RESELL THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES LAWS OR UNLESS AND EXEMPTION UNDER SUCH LAWS EXISTS.

FOR MARYLAND RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1931. AS AMENDED, OR THE MARYLAND SECURITIES ACT. BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

FOR MICHIGAN RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURITIES ACT OF NICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$9,000.

FOR MINNESOTA RESIDENTS ONLY: THESE SECURITIES REPRESENTED BY THIS OFFER. ING HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM.

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FOR MISSISSIPPI RESIDENTS ONLY: IN MAKING AN INVESTIMENT DECISION INVESTIONS NUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE. THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFERING

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RE-SALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (I)

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YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR MISSOURI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFERISE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (I) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OR SECURITIES REGULATION HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE. TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FOR NEW JERSEY RESIDENTS ONLY: THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERTIS OF THE OFFERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR NEW MEXICO RESIDENTS ONLY: THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO. ACCORDINGLY. THE NEW MEXICO SECURITIES BURE AU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE OFFERING DOCUMENT.

FOR NORTH CAROLINA RESIDENTS ONLY: IN MANING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. ALOR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, FURTHERMORE. THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRANSIS IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSISFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933. AS AMENDED. AND APPLICABLE STATE

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SECURITIES LAWS. PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. FOR PENNSYLVANIA RESIDENTS ONLY: PURSUANT TO SECTION 207(m) OF THE PENN

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LIABILITY TO THE COMPANY, ITS AFFILIATES OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WRITTEN BIND ING CONTRACT OF PURCHASE (SUBSCRIPTION AGREEMENT). TO ACCOMPLISH THIS WITHDRAWAL A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS INTENTION TO WITHDRAW TO THE COMPANY AT THE ADDRESS OF THE COMPANY SET SYLVANIA SECURITIES ACT OF 1972, EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS CERTIFIED MAIL. RETURN RECEIPT REQUESTED. TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST ORALLY, HE SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS RE-FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT BY SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE, WITHOUT INCURRING QUEST HAS BEEN RECEIVED.

IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNSYLVANIA HEREBY AGREE THAT THEY WILL WILL NOT SELL TRANSFER OR SUBDIVIDE THE UNITS PURCHASED HEREIN UNTIL AT LEAST ONE (I) YEAR FROM THE DATE OF

ING THE SECURTITES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURTITES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. AL OR STATE SECURTITES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE. THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETER. WINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONFIRMED THE ADEQUACY OF THE OFFERING DOCUMENT. APPLICABLE STATE SECURITIES LAWS. PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. TIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, AND THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRIC. FOR SOUTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION IN-VESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREAT-

THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47-31A, WITH THE DIRECTOR OF THE DIVISION OF SECURTIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING CONTRARY IS A CRIMINAL OFFENSE. MENDED. OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE THAT THIS OFFERING IS TRUE. COMPLETE. AND NOT MISLEADING: NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERITS OF RECOM-FOR SOUTH DAKOTA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED FOR SALE IN

EXCEED 10% OF THEIR NET WORTH. (II)THEY WILL INVEST NOT LESS THAN \$1.000.000; AND (III)THEIR INVESTMENT DOES NOT OF AT LEAST \$1,000,000 (EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES); SOUTH DAKOTA RESIDENTS HEREBY REPRESENT THAT (1)THEY HAVE A NET WORTH

THE STATE OF TENNESSEE. AS A CONDITION OF REGISTRATION. THE STATE OF TENNES FOR TENNESSEE RESIDENTS ONLY: THESE SECURITIES HAVE BEEN REGISTERED WITH

SEE HAS IMPOSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS. PURSUANT TO THOSE STANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT LEAST \$250,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES, AND MUST HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR AND BE EXPECTED TO HAVE A GROSS INCOME OF \$65,000.00 DURING THE SUITABILITY STANDARD, EACH NATURAL PERSON'S INVESTMENT MUST NOT EXCEED CURRENT TAX YEAR. OR ALTERNATIVELY A NET WORTH OF AT LAST \$500,000 EXCLU-SIVE OF HOME. HOME FURNISHINGS AND AUTOMOBILES. ADDITIONALLY, UNDER THIS TEN PERCENT (10%) OF HIS NET WORTH.

FOR TEXAS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR DARD IS GENERALLY MORE RESTRICTIVE THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE (AND THE MINIMUM SUITABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO ACCREDITED INVESTORS. THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DEFINED IN SECTION 901 (a) (1) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE OFFER: ING DOCUMENT AT TERMS OF THE INVESTMENT. THE ACCREDITED INVESTOR STAN

FOR UTAH RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UTAH UNIFORM SECURITIES ACT AND. THEREFORE, CANNOT BE RESOLD OR TION FROM REGISTRATION IS AVAILABLE.

TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMP

TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THE OFFERING DOCUMENT OR UPON THE MERT'S OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY

THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTION TO THE SECURATION TO THE SECURITIES ARE SUBJECT TO RESTRICTION TO THE SECURITIES ARE SUBJECT. EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR TIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER-AL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND TORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING FOR WASHINGTON RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVES

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(i) Investor Questionnaire; and	(d) Additional Documents Required:	(c) Payment Tendered Herewith: (\$100,000 times number of Promissory Notes) \$	(b) Term of Promissory Notes12 months:24 months or36 months	(a) Number of Promissory Notes (at a price of \$100,000 per Promissory Note)

(ii) Community Property Designation (if applicable) from Page 14 of this Subscription Agreement.

11. Information Relating to My Investment.

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TO BE COMPLETED BY ALL SUBSCRIBERS:

(4)	
ireet Address	Residence Address to which information regarding this subscription should be mailed:

Social Security Number or Employer Identification Number of Joint Tenant or Tenant-in-Common, if applicable Social Security Number or Employer Identification Number Telephone Number City and State Zip

INDIVIDUAL ENTITIES:

Signature Name (Please Print) Name of Entity (Please Print)

(Corporate Seal (if applicable)] Signature and Title

Name of Joint Tenant or Tenant-in-Common, if applicable.

ACCEPTED AND AGREED TO THIS
DAY OF ______ 19____ TOWERS FINANCIAL CORPORATION

Mitchell Brater.
Vice Chairman and Chief Operating Officer

Number of Promissory Notes Accepted:

Term of Promissory Notes:

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COMMUNITY PROPERTY DESIGNATION

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If a subscriber is an individual who is legally domiciled or resident of the State of Arizona, California, tdaho, Louisiana, Nevada, New Medico, Texas or Washington, the following designation must also be completed:

 The Promissory Notes are being purchased as Community Property in one or both names (both spouses must sign).

SIGNATURE OF HUSBAND

SIGNATURE OF WIFE

Type or Print Name of Husband

Type or Print Name of Wife

B. The Promissory Notes are being purchased as Separate Property (the Subscriber alone must sign the Separate Property Election, and the subscriber's spouse must sign the Separate Property Acknowledgement below).

SEPARATE PROPERTY ELECTION

The undersigned elects to treat this investment as (his) (her) separate property. In making this decision. I have consulted with independent counsel to determine that I have used my separate property or funds to purchase the Promissory Notes.

SIGNATURE OF SUBSCRIBER

type or Print Name of Subscriber

SEPARATE PROPERTY ACKNOWLEDGEMENT

I hereby acknowledge that my spouse is making this investment with (his) (her) separate property and ds.

SIGNATURE OF SUBSCRIBER'S SPOUSE

Type or Print Name of Subscriber's Spouse

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TOWERS FINANCIAL CORPORATION OCTOBER IS, 1991 PRIVATE OFFERING DOCUMENT NON-NEGOTIABLE RECOURSE PROMISSORY NOTE

For value received, TOWERS FINANCIAL CORPORATION, a Delaware corporation (the "Maker"), promises to pay to the order of the person whose name and address are set forth at the end of this Note (the "Payee"), its successors and assigns, the principal sum which is indicated at the end of this Note, together with interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from of linal payment hereunder. the date of this Note (the date of this Note is set forth at the end of this Note) through and including the date

(the "Maturity Date"). Principal herounder shall be due and payable in full on the date which is indicated at the end of this Note

Payment of principal and interest under this Note shall be made in lawful money of the United States of America to the Payce at the address which is set forth at the end of this Note or at such other location as shall be notified to the maker by the Payce. Interest shall be calculated on the basis of a year of 365 days for the payment which is due thirty (30) days from the date of this Note. actual number of days elapsed and shall be payable monthly [or quarterly] commencing with the interest

Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is provided for hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to applicable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal rate of interest, the Maker shall be required to pay only the maximum legal rate of interest.

this Note is subject to all of the terms, conditions, obligations and provisions which are set forth in the Offerng Document This Note has been issued pursuant to the Offering Document dated October 15, 1991 of the Maker, and

payees. Neither this reference to the Security Agreement nor any provision thereof shall affect or impair the obligations of the Maker which are provided for herein. The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the "Security Agreement") which was executed by the Maker in favor of the Payee and other similarly situated

This Note is made and delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable under any law shall not affect the validity of any other provision hereof. The Payer agrees that any action or providing in a formal formal the shall be supported by the state of the payer agrees that any action or providing the state of the st County of New York. proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and

the party against whom enforcement or any waiver, change, modification or discharge is sought. IN WITNESS WHEREOF, the undersigned has executed this Note as of the ____day of ______, 19___. This Note may not be changed or terminated orally, but only by an agreement in writing and signed by

City. State and Zip Code	Address	Print Name(s)		Date of Note:	
Rate of Interest: 75 per annum	Matunty Date:	Penod to Maturity:	Principal Amount of Note: 5	By: Michell Brater, Vice Chairman and Chief Operating Officer	TOWERS FINANCIAL CORPORATION

This Promissory Note has not been regulered under the Securities Act of 1933, as amended, and may not be sold or otherwise transferred in the absence of such regularism or or a seamplion literation under such Act or state accumins laws. Furthermore, this Promissory Note may be sold or otherwise transferred only in complance with the conditions specified in the Officing Document of Malker, a complete and correct copy of which is available for imprevious at the poincipal office of Malker and will be (unabled willhout charge to the holder of this Promissory Note upon written request.)

SECURITY AGREEMENT

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The Debtor, pursuant to its offering document, dated October 15, 1991, (hereinafter referred to as the "Offering Document,"), has issued its recourse non-negotable Promissory Notes (hereinafter referred to as the "Promissory Notes") to each of the Secured Parties in the amounts which are indicated on Exhabit "A" which is annexed hereto. Pursuant to the provisions of the Offering Document, the proceeds of the Offering of the Promissory Notes are to be placed in the Funding Account, as defined in the Offering Document, and utilized for the purpose of purchasing and/or financing Accounts Receivable, as defined in the Offering Document, in order to induce the Secured Parties to enter into this transaction, the Debtor has agreed to grant the Secured Parties a security interest in the Funding Account, the Accounts Receivable and any proceeds therefrom in whatever form as security for repayment of the Promissory Notes pursuant to their respective terms.

2. Definitions

Each of the capitalized terms which is used herein shall have the same meaning which is set forth in the section of the Offering Document which is entitled "Glossary" unless the context of this Security Agreement requires otherwise.

3. Security Interest

To secure the payment when due of principal and interest under the Promissory Notes and the payment and performance by the Debtor of all obligations and liabilities of the Debtor to the Secured Parties pursuant to the Promissory Notes, the Debtor shall and hereby does, on and as of the date hereof, grant, convey, assign and transfer to Secured Party, a security interest in and to (i) the Accounts Receivable and all additions, replacements and all additions thereby does, on standard scaling for the purchase or financing of the Accounts Receivable; (iii) all proceeds which are derived by the Debtor from the collection or the attempted collection of any of the tiens referred to in (i) or (ii) above; and (iv) the Funding Account, exclusive of the Excess Profits Amount, as defined in the Offering Document (hereinafter referred to collectively as the "Collateral").

Dejaun

- 4.1 Event of Default. The term "Event of Default" as used herein, shall mean the occurrence and continuation of any one or more of the following events:
- (a) The failure of the Debtor to promptly pay when due any of the amounts of interest or principal which are due and payable pursuant to any of the Promissory Notes, which failure continues for a period of thirty (30) days after the applicable Secured Party gives the Debtor written notice of such default:
- (b) If the Debtor shall admit in writing its mability to pay, or fails to pay, its debts generally as they sme due; or
- (c) If, under the provisions of any law for the relief of debtors, any court of competent jurisdiction or custodian shall assume custody or control of the Debtor's property without the consent of the Debtor.
- 4.2 Upon the happening of an Event of Default, the Promissory Notes shall become immediately due and payable and the applicable Secured Party shall have the rights which are set forth in Section 7 of this Security Agreement.
- 5. Obligations of the Debtor
- 5.1 If a Secured Party shall have required the Debtor to deliver to such Secured Party any or all of the Collateral and if the Debtor shall receive or become entitled to receive any rights, distributions or payments

of 344

of any kind or description with respect to or on account of such Collateral, the Debtor agrees to accept same as agent for the Secured Parry, to hold same in trust for the Secured Parry, and to deliver same to the Secured Parry in the form received, with the endorsement of the Debtor when necessary, to be held by the Secured Parry in the form received, with the endorsement of the Debtor when necessary, to be held by the Secured

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- agrees that it will: due to the Secured Parties pursuant to the terms of this Agreement and the Promissory Notes, the Debtor 5.2 Until the Secured Parties are paid in full for the principal and interest of all indebtedness which is
- activities and operations; and (a) take whatever actions are necessary to comply with all statutes and regulations governing its

(b) promptly notify the Secured Parties of an Event of Default which is discovered by Debtor.

- principal place of business and the location of the chief executive officer of the Debtor. Code, is at the address of the Debtor which is shown at the beginning of this Agreement, which office is the concerning any part of the Collateral, which is "accounts" as that term is defined in the Uniform Commercial 6.1 The only office where the Debtor keeps, or will at any time prior to final release hereof, keep records
- sents and warrants to the Secured Parties that: 6.2 To induce the Secured Parties to enter into the transactions provided for herein, the Debtor repre-
- and to perform all of its obligations under this Agreement, including the execution, delivery and pertions which are contemplated herein; formance of whatever additional documents are necessary or required in connection with the transac-(a) The Debtor is duly authorized to execute and deliver this Agreement and the Promissory Notes
- ing or binding upon the Debtor: performance by the Debtor of its obligations under this Agreement and the Promissory Notes do not and will not conflict with any provision of law, or of the charter or by-laws, or of any other agreement affect-(c) This Agreement and the Promissory Notes, when duly executed and delivered in accordance (b) The execution and deliver by the Debtor of this Agreement and the Promissory Notes and the
- ware Corporation Law. (d) The Debtor is a duty organized and validly existing corporation in good standing under the Dela

respective terms, except as limited by bankruptcy, insolvency or other laws of general application relat-ing to the enforcement of creditors' rights and except to the extent that the availability of specific perwith this Agreement, will be valid and binding upon the Debtor enforceable in accordance with their

formance thereof may be limited by principles of equity; and

- 1. Rights and Obligations of Secured Parties With Respect to the Collateral
- be entitled to exercise his remedies hereunder and under the Uniform Commercial Code only in respect of that portion of the Collateral (determined according to the then present value thereof) which bears the same ratio to the total Collateral as that portion of the indebtedness with respect to any Promissory Note held by such Secured Party 7.1 The Secured Parties hereby severally agree that, upon an Event of Default, each Secured Party shall
- disposition of the Collateral ner set forth in Section 9-504 of the Uniform Commercial Code in effect at the time of such sale or other the Secured Parties from or on account of the Collateral shall be applied by the Secured Parties in the man-7.2 The proceeds of any sale or other disposition of the Collateral and all sums received or collected by
- Secured Party with respect to the Collateral ing Document and the Securities Act of 1933, as amended, and state securities laws. Upon any such transfer, the transferee shall automatically become vested with all rights, powers and remedies hereunder of such 7.3 A Secured Party may only transfer a Promissory Note held by him, subject to the terms of the Offer

to the Debtor all of the Collateral 7.4 Upon payment in full of all of his Promissory Note, a Secured Party will promptly the reafter release

8. Pooling

The Debtor, in its discretion, may pool the Collateral with offerings which are similar to the current offering. In the event such a pooling occurs, the Secured Parties of the current offering and the secured parties of the other offerings will share the Collateral on a pair passu (pro rata) basis for all purposes.

- only, and shall not be deemed to affect the meaning or construction of any of the provisions hereof. 9.1 Headings. The descriptive headings in this Security Agreement are for convenience of reference
- to, or waiver of, any right or remedy on any future occasion. any right with respect to the subject matter hereof shall operate as a waiver of such right or of any such other right. A waiver on any one occasion with respect to the subject matter hereof shall not be construed as a bar waived any of its rights hereunder or under any other agreement, instrument or paper signed by any of them with respect to the subject matter hereof, unless such waiver is in writing and signed by the parry waiving such right. Except as otherwise specifically provided for hereunder, no delay or omission by any parry in exercising 9.2 Waiver. Except as otherwise specifically provided for hereunder, no party shall be deemed to have
- separately or concurrently. denced hereby or by any other agreement, instrument, or paper, will be cumulative, and may be exercised 9.3 Rights Cumulative. All rights and remedies with respect to the subject matter hereof, whether evi-
- such instrument which alone fully and completely expresses their agreement. between the parties with respect to the subject matter hereof are merged in this Security Agreement and any not set forth with respect to the subject matter hereof. All understandings and agreements heretofore had 9.4 Entire Agreement. The parties herein have not made any representations, warranties, or covenants
- 9.5 Amendments. This Security Agreement may not be changed, modified, extended, terminated, or discharged orally, but only by a written agreement which is signed by all of the parties to this Security Agree-3000
- 9.6 Further Instruments. The parties agree to execute any and all such other and further instruments and documents and to take any and all such further actions reasonably required to effectuate this Security Agree-THE PARTY.
- and shall be mailed by First Class. Registered or Certified Mail. Return Receipt Requested, postage prepaid 9.7 Notices. All notices or other communications required or permitted hereunder shall be in writing

To the Debtor:

New York, NY 10016 417 Fifth Avenue Attn: Mitchell Brater, Vice Chairman Towers Financial Corporation and Chief Operating Officer

To the Secured Parties:

on Exhibit "A" to this Security Agreement All the addresses which are set forth

or in each case to such other address as shall have last been furnished by like notice. If mailing by Registered or Certified Mail is impossible due to an absence of postal service, notice shall be in writing and personally delivered to the aforesaid address. Each notice or communication shall be deemed to have been given as of the date so mailed or delivered, as the case may be.

9.8 New York Law. This Security Agreement is made and delivered in the State of New York and shall be construed and enforced in accordance with the internal laws of the State of New York, without giving effect to the principals of conflicts of law. Any suit or proceeding to enforce the provisions of this Security Agreement shall be commenced in a court of competent jurisdiction in the State and County of New York.

9.9 Successors and Assigns. Subject to the restrictions which are constained in this Security Agreement.

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9.9 Successors and Assigns. Subject to the restrictions which are contained in this Security Agreement, this Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirx, executors, administrators, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement as of the date first above

TOWERS FINANCIAL CORPORATION

Mitchell Brater,
Vice Chairman and Chief Operating Officer

Names and Addresses
Of Secured Parties

d Addresses

All Investors whose investments have been used to purchase Accounts Receivable which are the subject of this Security agreement.

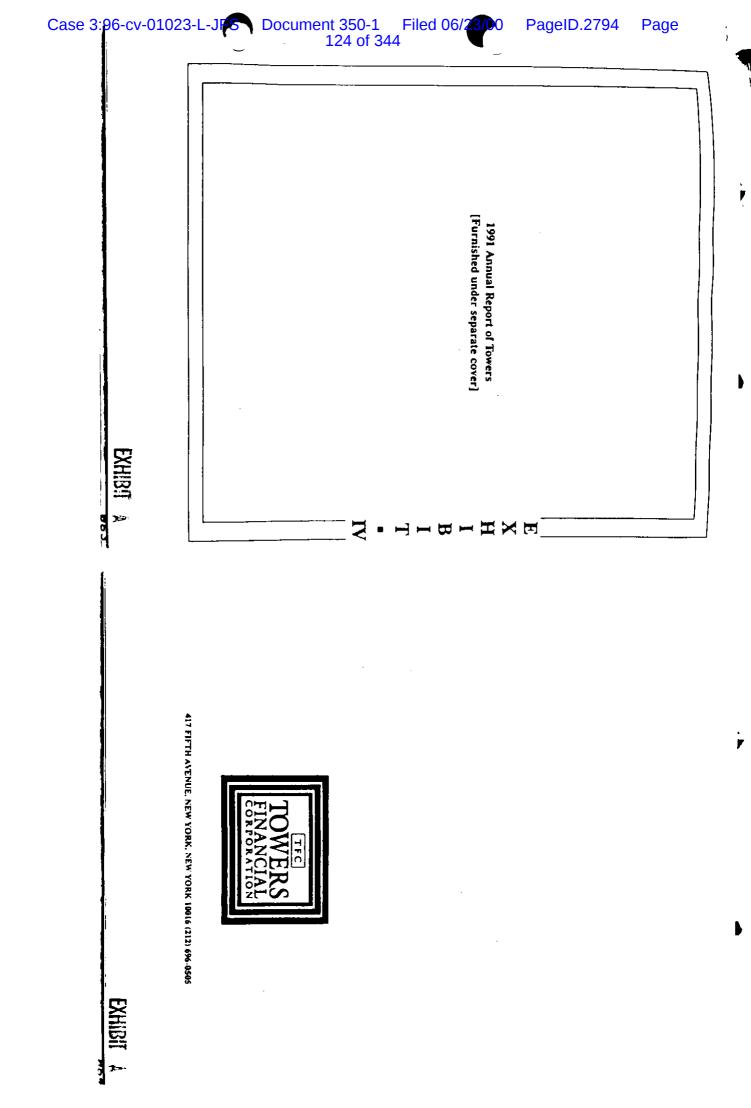
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EXILIBIT

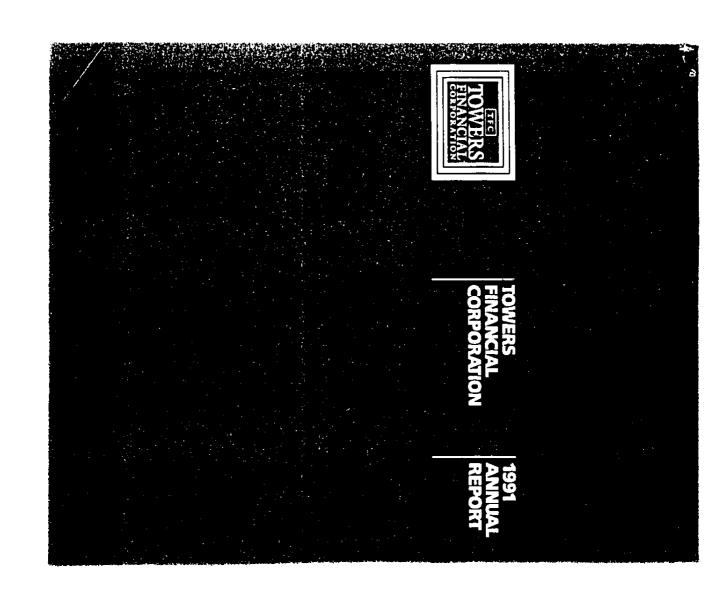
EXHIBIT A

Amount of Princi

Amount of Principal
Obligations Pursuant to
the Promissory Note







FINANCIAL HIGHLIGHTS CONSOLIDATED

nationwide. The company is a recognized leader computerized business office management ousiness in: in the collection, factoring and management 1,500 employees and independent agents financial services company with more than Towers Financial Corporation is a diversified If accounts receivable, with major lines of

 physicians' private practice office systems, including billing, collections and factoring of systems for hospitals, nursing homes, clinics and doctors, including billing, collections and factoring of accounts receivable;

healthcare factoring and financing of accounts receivable;

accounts receivable;

 accounts receivable collection; corporate accounts receivable factoring:

 acquiring RTC/FDIC and banking industry accounts receivable loan portfolios;

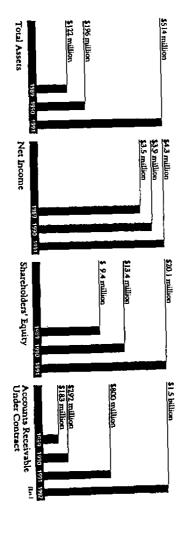
property and casualty insurance and

reinsurance.

in 1991. The company currently operates at a level above \$1 billion annually. \$182 million in 1989 to more than \$800 million under contract annually, which has grown from Towers Financial Corporation's dramatic growth drough the amount of accounts receivable ver the past three years is best demonstrated

(In thousands, except per share data)

Shareholders' Equity Earnings Per Share Net Income Total Assets Under Contract Accounts Receivable Average Common Shares Outstanding \$800,200 513,623 20,078 1991 4,256 5,000 .91 \$291,565 195,562 1990 13,422 3,903 4,600 .86 \$182,982 121,731 1989 9,419 3,486 4,500 . 78



Towers Financial Corporation enters the 1992 During the past year, we continued our of more than \$1 billion annually. tiscal year in a position of unprecedented receivable. We are currently operating at a level transacting more than \$800 million of accounts inancial strength and industry leadership. impressive record of business growth, movation and financial performance,

accounts receivable and business office receivable collection; factoring of medical growing sectors of the financial services industry; acquiring RTC/FDIC and banking management systems for the healthcare marketing advantages, TFC has established a we hold distinct business, technological and By focusing on our four market segments where insurance and reinsurance. the underwriting and policy issuance of primary industry accounts receivable loan portfolios, and industry. These four segments include accounts leadership position in several important and

Document 350-1

of identifying under-served market niches, We are continuing to follow our long-term plan applying our unique expertise and resources, and market share in selected businesses. uilding momentum to attain a meaningful

compete aggressively and our ability to succeed senousness of purpose, our determination to businesses provides clear evidence of our accounts receivable management and related TFC's track record of more than 15 years in

A commanding position in healthcare

One of our most exciting areas of opportunity valuable source of working capital that had System. This landmark development in never been available to them. country with opportunities to generate a \$660 billion — provided hospitals, nursing Factoring and Business Office Management medical factoring system: the Healthcare nationwide healthcare accounts receivable continues to be in the healthcare business we homes, clinics and related facilities across the pioneered in 1989, when we created the first healthcare financing — an industry of more than

management programs and unique Accelerated value of our accounts receivable claims manage the total billing, processing, auditing collection or factoring firms. advantage for TFC against more limited and collection needs of healthcare providers. computerized business office operations, which In this market segment, TFC also provides Claims Recovery System, a strong competitive These services are distinguished by the added

ongoing need for upgraded equipment and segment. The tinancial pressures now being We believe TFC has the potential to develop and exerted on this industry are enormous. As a market, in order to utilize our expertise and our targeted the service-sensitive segment of this insatiable need for working capital. We have facilities, healthcare providers have a nearly insurance company practices, and due to the result of changes in government programs and factoring management services in this market retain a major share of accounts receivable

> receivable claims procedures, including much upgrading their billing systems and accounts needed collection support. technology to assist client business offices in

as one of America's healthcare factoring leaders, entrance into this market and from our growth, as we continue to benefit from our early as our programs enjoy a relatively high rate of programs and services. innovative business office management We believe that TFC will enhance its reputation

Securitizing healthcare receivables

significantly increase the healthcare industry's access to capital. care receivables-backed securities which Our healthcare programs were enhanced by the issuance of innovative double-A-rated health

rated double-A. To date, rated and non-rated such as Medicare, Medicaid, commercial generally reimbursable by third-party payers variety of healthcare institutions as collateral for have been successfully placed debt issues valued at more than \$300 million insurers, Blue Cross/Blue Shield and corporate or Accounts receivable used in the program are medium-term notes and long-term bonds. union health plans. The securities have been these offerings use accounts receivable from a The first asset-backed securities of their kind

Reaching out to private practitioners

the U.S. healthcare industry is enabling TFC to Our experience in meeting the special needs of



Scheduled for introduction in 1992, the new professionals — in private or group practice. 350,000 doctors — and other healthcare reach out to a new industry segment: America's

billion annually industry with reported revenues of up to \$200 nationwide program of its kind, serving an management needs. It will be the first administration covers their billing, collection, receivable claims and worrying about their cash instead of collecting bills, processing accounts and energy delivering vital medical services allow private practitioners to spend their time funding and accounts receivable claims flow. Our turnkey solution to doctors' office Towers Private Practice Office System will

receivable loan portfolios Acquiring RTC/FDIC and bank accounts

portfolios of accounts receivable loans originally acquuing performing and non-performing TFC is continuing to expand our program of

OVERVIEW COMPANY

one of these two types of collateral: real property evidenced by promissory notes and secured by Each RTC/FDIC portfolio is made up of different factories, farms and undeveloped land; or characteristics. In general, they consist of loans types of accounts receivable loans with different machinery, inventories, mobile homes, credit personal property such as cars, trucks, such as homes, office buildings, warehouses, portionos.

offshore companies

solvent banks seeking to lower their credit risk performing loans from the portfolios of healthy many years. In addition, we purchase nonbehalf of our financial institution clients for exposure. these types of accounts receivable loans on card accounts and unsecured loans. IFC had significant experience in collecting

Document 350-1

significant business opportunity for TFC due to services, and we believe it will continue to be a own behalf is a logical extension of our existing institutions. the continuing crisis among U.S. financial cquiring and collecting these loans on our

Re-entering the insurance business

the property-and-casualty insurance industry in IFC took the initial steps this year to re-enter



premiums and losses enables us to share manner. Reinsurance a carefully controlled

sures, and join TFC with the world's most reinsurance basis through domestic and provide coverages on both a primary-risk and basis. Towers Insurance Group will eventually prominent insurance entities on a partnership diversify our expowith primary insurers

expertise and resources to build market share in accounts receivable annually. currently handling in excess of \$1 billion of its major business segments, in which TFC is TFC's strategic plan by capitalizing on our In the coming year, we will continue to pursue

add value to the Company and to your shares managerial and staff resources in ways which the controlled investment of financial, businesses. We intend to take advantage of opportunities consistent with our core We also are continuing to evaluate new these situations as they arise, and to maintain

Chairman & CEO Steven Hoftenberg



engaged in the management of accounts owned subsidiaries and affiliates, has been Towers Financial Corporation, through wholly the traditional boundaries of the accounts new businesses which extend and redefine receivable industry. leader in its core business and has pioneered receivable for more than 15 years. During that time, TFC has emerged as an industry

receivable on a scale and with a profession alism unequalled in this business resources enable us to process accounts professionals. Our expertise and unmatched and nationwide network of highly skilled proprietary large-scale computerized systems In part, TFC's success derives from our

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became a publicly traded company in 1986. Complementing these unique resources is a and enhance our continued growth, TFC compatible with our core business. To support expertise to new industries and areas of service anticipate and meet market opportunities. As distinctive market vision enabling us to two decades, we have repeatedly applied our TFC has grown in size and stature over the last

engaged in these principal lines of business: of past due business debt, TFC is currently In its role as one of America's leading collectors

relationships and build a solid platform of enabled us to build continuing customer our personnel and quality of our systems. Our of past due accounts reflects the high calibre of while rapidly recovering their obligations have maintain good will with our customers' debtors continuous program of training and education, Accounts receivable collection services profitability and growth our exclusive computerized Accelerated Claims Recovery System (ACRS), and our ability to IFC's unprecedented success in the collection

provider to qualify for asset-based financing —

lovided a new source of working capital for this

which would limit the availability of credit to a relying on the fiscal condition of the healthcare industry of more than \$660 billion. Instead of

Corporate accounts accounts receivable, In addition to collecting receivable factoring

ot receivables, TFC purchase or factoring Through the outright commercial customers ervices to our set-based financing rticipant in providing C is an active



Realthcare factoring of medical accounts office management systems receivable and computerized business

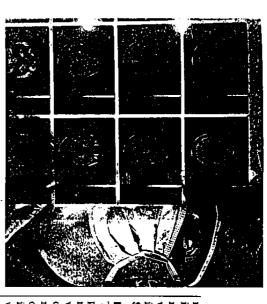
nursing homes, clinics and other healthcare providers, TFC created a revolutionary, To meet the specialized needs of hospitals, nationwide approach to the factoring of their imbursable medical accounts receivable which

Profit from these funds. Benefits from the opportunity to reinvest and own behalf. By recovering these accounts, TFC exceptional collections capabilities on our discount to their face value and applies our purchases past due and current accounts at a

computerized business office management Cross/Blue Shield and corporate or union health Medicare, Medicaid, commercial insurers, Blue quality of third-party reimbursers such as small number of institutions — it uses the credit funds to the healthcare institution. services, which together speed the recovery of delivered with TFC's expert accounts receivable plans. The medical factoring program is

accounts receivable soan portfolios Acquiring RTC/FDIC and banking industry

opportunity by purchasing accounts receivable created a unique opportunity for TFC to institutions throughout the United States business. We have moved swiftly to capture this capitalize on its existing knowledge of this performing loans from their portfolios. The TFC has long served as a factoring resource for ideal for realizing the fullest values in these lederal takeover of tailed banks and thrift the banking industry, through purchase of nonaccounts receivable portfolios. IFC's unique skills and capabilities have proven oan portiolios at a discount to their face values.



Office System (1992) Towers Private Practice

solution to billing, collection, factoring and group practice. The Towers Private Practice and other healthcare professionals in private and Building on our expertise in healthcare factoring, accounts receivable computerized claims Office System will offer doctors a turnkey integrated factoring and office system for doctors TFC is planning to introduce next year an

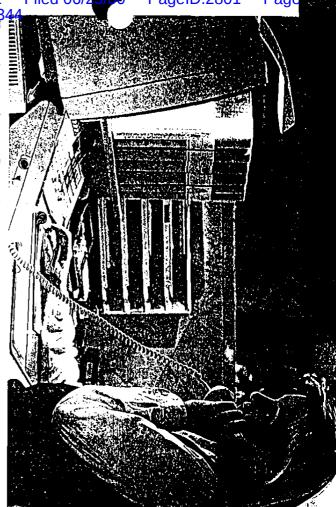
> \$200 billion annually. industry with reported revenues of up to wide program of its kind, it will serve an reimbursable payments. The first nationincluding self-pay obligations as well as management. It covers all payment classes

Insurance/reinsurance

offshore companies. Our activities currently was formed in 1991 with the eventual goal partnership basis. insurance hirms with whom we join on a exposures and benefit from the experience which will enable us to diversity our initial include primary insurance and reinsurance, reinsurance basis through domestic and of providing coverage on a primary-risk and reinsurance. The Towers Insurance Group property and casualty insurance and and financial depth of the leading worldwide The newest business segment of TFC is

ACCOUNTS RECEIVABLE

LECTION SERVICES



The core business of Towers Financial Copporation is assisting our customers in collecting past due accounts receivable. We are a national leader in this field with a proven track record in providing these services to more than 20,000 business and healthcare organizations throughout the United States, including many of the Fortune 1000 corporations. Since fiscal 1988, we have managed approximately \$1.5 billion in accounts receivable. As of year-end fiscal 1991, hore than \$800 million of accounts receivable were under management. Currently, TFC is operating at more than \$1 billion annually, covering all of its business lines.

Recovering America's business debts

The importance of regular, predictable cash flow to a business cannot be overemphasized. When customer accounts become past due, a company is left with cash flow problems which can have a serious impact on its ability to manage overhead, pay vendors, reduce debt and fund its business operations.

TFC ofters customers an unparalleled opportunity to recover past due funds in a speedy, thorough and professional manner. We also provide a full array of related financing, factoring and management services to speed the flow of capital back into our customers' businesses.

With approximately 8 million companies doing business in the United States, our opportunities for growth are virtually boundless. TFC is an

industry leader in building the accounts receivable systems, training the people and developing the nationwide presence required to capitalize on these opportunities and expand our business in a controlled, efficient manner.

The "Towers System"

TFC has developed a unique business system which places us at the forefront of this growing field. We call it the Towers System, and attribute its success to our intensive focus on the "three Ps" of accounts receivable management: people, process and presence.

winque team of highly trained and motivated professionals. Our nationwide network includes attorneys, healthcare claims analysts, account executives, collectors and paralegals with extensive experience in the industries they serve. We continually educate and train these professionals to maintain their skills and keep them informed of current trends, procedures, techniques and government or insurer policy changes.

Process Our state-of-the-art, nationwide data processing equipment, and proprietary tracking and collection software, are unmatched by any competitor serving the industry. We are always

A Time-Honored Financial Management Technique

The factoring of accounts receivable is a timetested, dependable technique for managing cash flow and assuring financial stability. Today, conporate factoring is a \$75 billion industry serving large and middle-market companies in a wide variety of industries.

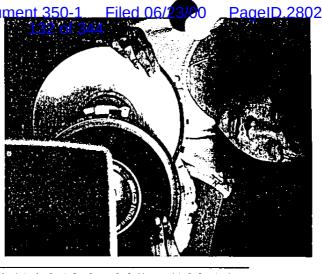
Factoring enables companies that are not highly capitalized to regain control over their cash flow. Many firms can no longer afford to wait the full 60, 90 or 120 days — or even longer — that their customers now routinely delay payment of invoices. By factoring their receivables, these companies benefit from affordable financing to meet their ongoing overhead expenses of payroll, rent, inventory, taxes and other regular business costs.

TFC was first to extend this "big company" concept to healthcare organizations by creating the first nationwide medical factoring resource for hospitals, nursing homes, clinics and related facilities in this industry of more than \$660 billion. These institutions, which desperately need cash flow to meet their operating requirements, might not otherwise have qualified for asset-based financing by relying instead on the fiscal condition of third-party reimbursers such as Medicare, Medicaid, commercial insurers, Blue Cross/Blue Shield and corporate or union health plans.

In addition to our programs for healthcare

In addition to our programs for healthcare providers, TFC provides factoring services to all types of manufacturing, transportation, communications, finance, insurance and wholesale and distribution companies.

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investing in our processing systems and upgrading our capabilities to increase the volume of accounts receivable we can handle, without significantly increasing our personnel its or other expenses. TFC's systems

currently possess the capacity to collect, factor and manage more than \$3 billion in accounts receivable annually.

Presence To deliver these services, TFC has developed an extensive marketing and sales presence in major markets throughout the United States. This national presence enables us to customize our products and services to the needs of individual markets, and to provide our customers with greater access and a higher level of service.

Experience and professionalism

TFC's rapid growth in accounts receivable collection stems largely from our success at marketing our services on the basis of our experience and our collection practices. We assign each collection account to one of our staff of practicing attorneys and collectors, who actively pursue collection with the help of paralegals, credit analysts and investigators (skip tracers).

Our policy is to hire people for our collection staff who have at least five years of relevant experience. Each new member of the collection staff undergoes an in-house training program and has strict guidelines to follow with respect to the collection process. The collection staff



undertakes a comprehensive review of each new collection account; debtors are contacted and dealt with on the basis of this review. Our proprietary accounts receivable computer systems allow us to track all accounts quickly for any client, to track our contacts with each debtor, and to track each debtor's payment and credit histories.

The highest standards of performance Over the past 15 years, TFC has unceasingly worked to raise the standards of profession-

alism, effectiveness and profitability in the

industry. The impact of these efforts is best reflected in a number of meaningful performance measures.

A clear indication of the quality of our performance is our proven ability to recover accounts which are substantially past due. Another is the significant amount of repeat business we generate. Not only the speed of our collections but our professional approach—which strives to maintain good will between customer and debtor—has resulted in repeat business and referrals from thousands of satisfied customers.

Of course, perhaps the best measure of our success is found on our bottom line, which mirrors the consistent growth to TFC's current level of more than \$1 billion of accounts receivables annually. Over the last two decades, we have clearly demonstrated that by enhancing our services and improving our operational efficiencies for TFC customers, we also fulfill our financial responsibilities to shareholders.

received wide praise by healthcare adminiaddress this industry crisis. The program has stability to these important institutions. grateful for this opportunity to restore economic been praised by community leaders who are their vital cash flow requirements. It has also effective means of generating and managing strators seeking a more professional and

TFC is a recognized leader in helping U.S. healthcare institutions solve their funding

The first nationwide program of its kind, the ealthcare Factoring Program was introduced to

Case 3:96-cv-01023-L

our core strengths in asset-based financing and industry of more than \$660 billion. and serve new segments of this vitally important healthcare factoring to develop new approaches problems through innovative, receivables-based financing approaches. We continue to build on

An industry in crisis

of existence has been increasingly difficult to black. But in recent years, this precarious mode Historically, it has relied on government maintain. programs and private philanthropy to stay in the enough on patient care to cover costs The typical hospital has never earned quite

small, urban and rural, investor-owned and notdramatized the fact that more than half of all for-profit — are losing money on patient care. community healthcare facilities — large and The growing rate of hospital closings has

> squeeze. They must address inflation in an healthcare facilities are caught in an economic Related Groups [DRG] program, America's Under the federal government's Diagnosisfrom Medicaid and Medicare reimbursements. must bear an increasing burden of the shortfalls who have tightened claims review. And they environment of stringent cost controls. They must wait for repayment from third-party payors

An innovative funding solution

crunch." Further complicating hospitals' giving, the current recession, and changes in the the S&L crisis and the banking industry's "credit for hospitals in today's age of lending cutbacks, donations. tax law which discourage private charitable funding problems are cutbacks in corporate borrowing at a reasonable cost can be difficult of funding for today's healthcare institution. But Typically, borrowing has become a major source

institutions are not profit-oriented, in fact, they by their lending sources. Many healthcare Furthermore, hospitals face growing scrutiny

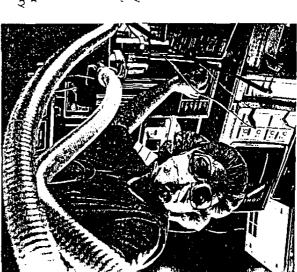
downgraded and access to credit curtailed institutions have seen their credit ratings for public funding. A significant number of need to operate at a loss or near-loss to qualify

and in collecting a greater portion of the funds to which they are entitled. slow-paying insurers and government agencies It assists them in bridging delays brought on by specially designed for healthcare institutions FC created a unique factoring solution response to this growing cash flow crunch,

Predictable cash flow

Spospitals, clinics, nursing homes, professional claims and self-pay accounts receivable. the full recovery of third-party reimbursable with TFC's specialized expertise and proprietary groups and other healthcare providers, together accounts receivable medical factoring to The Healthcare Factoring Program provides computerized business office systems to speed

Document 350-1



substantial assets or cash flow. With a more such as payroll, rent and taxes, but also highest investment-grade U.S. hospitals with available only to a limited number of the By financing their medical accounts receivable not only manage ongoing overhead expenses prompt, more predictable cash flow, they can healthcare providers receive benefits previously

commercial insurers, Blue Cross/Blue Shield reimbursers such as Medicare, Medicaid,

nd corporate or union health plans.

factoring of submitted bills from third-party Qualified institutions receive same day

> often used to purchase life-saving medical upgrade an institution's staffing levels. equipment, for facilities renovation, and to vendors. This increased purchasing power is negotiate substantially better prices from

management systems Computerized business office claims

or union health plans. Our advanced software recovery of claims. the collection process and accelerate the and processing systems enable us to automate insurers, Blue Cross/Blue Shield and corporate such as Medicare, Medicaid, commercial pay accounts, and from third-party reimbursers management to recover funds due from selfits extensive expertise in collection and After factoring receivables, TFC applies

assist in establishing appropriate in-house with healthcare payment procedures, we are As a result of these efforts and our familiarity accounts receivable filing and reimbursement. systems and controls for billing, collection and business office claims management staff, and We provide support and guidance for the eliminate errors and facilitate faster payment. thoroughly examine each claims submission to accounts receivable claims process. We TFC reviews and operates each step of the

of the capital markets Harnessing the power Securitization:

Program. They mark a significant by credit card receivables, these ofterings tap offerings by major banks of securities backed securities secured by third-party healthcare issuance of double-A-rated asset-backed in the past year with the first successful America's vital healthcare industry. improvement in the capital access of support of TFC's unique Healthcare Funding the nation's enormous financial markets in accounts receivable. Similar to recent TFC has been making financial history

other healthcare providers nationwide to totalling more than \$300 million have already medium-term notes and long-term bonds A series of rated and non-rated issues of which are short-term obligations. long-term innancing for accounts receivable interest. In effect, they are a vehicle to obtain outside investors who receive a fixed rate of by TFC from hospitals, nursing homes and income from accounts receivable purchased These innovative securities "pass through"

substantially, and to raise reimbursement levels to what these providers are entitled to. often able to reduce the payment cycle

storing financial stability

healthcare and collection rights. ccess to TFC's financial and management ealthcare Factoring Program, customers gain addition to these direct benefits of the

and legal guidance on matters relating to assues, group insurance and benefits programs, sphancements, governmental and legislative the underwriting of bonds and debentures, the such as financial organization and controls, issues facing healthcare professionals today expertise. Our staff is fully knowledgeable in Sale or restructuring of ownership, credit a broad range of business office management

As a result of this program, a vitally important of asset-based accounts receivable factoring healthcare professionals view the program as a corporations for more than three decades. Many which has been available to commercial breakthrough opportunity to restore imancial \$660 billion industry now has access to a form

> services are fundamental to the nation's wellof our opportunistic business philosophy being. At TFC, we view it as a prime example stability to an overly regulated industry whose foresee, measure and plan for emerging market taking advantage of our business strengths to

Office System (1992) Towers Private Practice

group practice — a complete solution to their billing, collection, factoring and accounts and other healthcare professionals in private or integrated factoring and office system to doctors community. Beginning in 1992, the Towers expand our services to America's healthcare healthcare institutions is enabling TFC to Our proven expertise in meeting the financia receivable management needs Private Practice Office System will offer an needs of hospitals, nursing homes and other

professional skills Complementing doctors'

manage a private practice business and financial disciplines necessary to with the finest medical education in the world American doctors begin their professional lives but with little if any formal training in the

other professional obligations.

A turnkey solution

System. This unique nationwide service will created the Towers Private Practice Office In response to this recognized need, TFC has business offices, including complete accounts ofter effective administration of private doctors The program will include: receivable management and factoring services

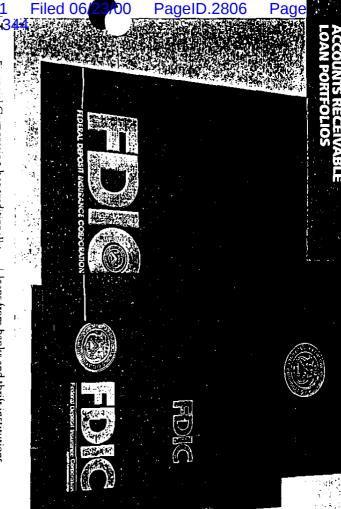
- Accounts receivable claims billing.
- Accounts receivable claims collection;
- commercial insurers, Blue Cross/Blue Shield payers such as Medicare, Medicaid Accounts receivable claims factoring at the and corporate or union health plans; and time of confirmed billing by third-party
- Complete private practice accounts receivable claims management.

use while building a business and meeting theu frequently lack sufficient time to put them to pay claims and maintaining a regular cash flow collecting bills, processing third-party and self-Many are unprepared for the realities of Those who possess the required business skills

to \$200 billion annually such as Medicare, Medicaid, commercial national market with reported revenues of up receivable claims from third-party reimbursers nationwide program of its kind, serving a or union health plans. It will be the first insurers, Blue Cross/Blue Shield and corporate portion of consumer debt as well as accounts owed to the practice, including the self-pay



THE PASSE OF THE PASSE OF THE PASSE OF THE



to keep their portfolio credit risk within debts, TFC has enabled these solvent banks served as a factoring resource for banks and reasonable limits. ther financial institutions seeking to dispose lowers Financial Corporation has traditionally non-performing loans. By purchasing these

purchase of accounts receivable asset packages A growing part of this business segment is the from the Federal Deposit Insurance Company "DIC), Resolution Trust Corporation (RTC) dother institutions. These portfolios include

> loans from banks and thrift institutions in receivership by these federal agencies nationwide which have failed and been placed

Keeping America's promises

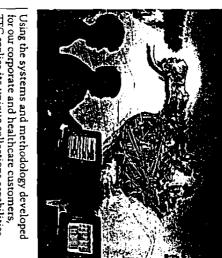
ever faced," recently reported the RTC, "and, and emotional impact on every citizen in budget deficit and its far-reaching financial once all is said and done, it may well be in it the worst financial crisis this nation has lost their life's savings. "Many have called Depression, when thousands of Americans considered the most serious since the Great America's current financial crisis is generally terms of dollars spent, its impact on the federal

> acquired hundreds of billions of dollars worth of miscellaneous other holdings. consumer and commercial loans and buildings, junk bonds, single-tamily mortgages, diverse assets including shopping centers, office the United States. Between them, they have the promise of federal deposit insurance, the As the federal agencies responsible for fulfilling FDIC and RTC have assumed the assets and liabilities of failed banks and thrifts throughout

such as similar geographic marketplaces and third parties with specialized expertise who manage them thereby making it easier for purchasers to similar management and marketing needs, into packages sharing common characteristics can manage them more efficiently and realize and RTC have chosen to sell many assets to To maximize the return to taxpayers, the FDIC greater values. Accounts receivable are pooled

Purchasing selected portfolios

receivable loans which are available at a close fit with our distinctive expertise and significant discount to their face value. commercial, real estate and other accounts consist of past due and delinquent consumer geographic coverage. These packages generally due accounts receivable loans which show a TFC has purchased selected packages of past



government agencies acting on their own, TFC on our own behalf. By realizing greater values our shareholders. is able to substantially increase the return to for these assets than could be accomplished by IFC applies its unique collections capabilities

source of steady growth for years to come profit center for TFC and, we anticipate, a of assets held by banks and the FDIC and RTC have made this business segment an important The continued availability and steady growth



🔂 owers Financial Corporation also offers a wide primary insurance and reinsurance, and related range of high-quality asset-based financing, inancial services to our customers. at an extremely favorable rate of return.

continuing growth in this sector of the being offered by many companies — point to borrowing restrictions and stricter credit terms the credit crunch, the tightening of bank including nationwide and regional recessions, National economic and business trends —

accounts receivable and more predictable cash flow, while TFC is able to reinvest its portfolio

> Despite the rapid success achieved to date, TFC accounts receivable. opportunities in the financing and collection of We are currently applying a major share of our exemplified by our highly acclaimed medical innovative, industry-based approach these funding services. We believe our has only begun to tap the enormous potential of identifying and penetrating significant market new business development activities toward advantage as we move forward in this business factoring program — will give us a competitive

Insurance/reinsurance

through domestic and offshore companies on both a primary-risk and remsurance basis Insurance Group. The Group provides coverages Corporation as the first company of the Towers Management of TFC has identified the property diversification. The first phase of implementing and-casualty insurance business as the next formation of Towers International Reinsurance this decision was undertaken in 1991 with the logical step in the company's growth and

> апаngement. reinsurers share premiums and losses with the public and facing large, concentrated exposures, Rather than dealing directly with the insured and financial depth through this partnership world's most prominent insurance entities on a reinsurer, Towers is able to join with the By entering the insurance industry as a primary insurers who originate the coverages partnership basis. We share in their experience

economy and sources of production, the in the midst of deep-seated change and global The worldwide insurance industry is currently with new ideas. trends create opportunities for new entrants border insurance alliances in response to these evolution of the European common market as restructuring. Profound changes in the world 1992 approaches, and the formation of cross-

operations geographically and in selected ot revenues and earnings for TFC tions will grow to become an important source market conditions, we anticipate these operaand TFC's proven ability to respond to changing other world markets. With a global presence Group in major European business centers and business niches to establish Towers Insurance Management of TFC intends to expand

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funds. Customers benefit from payment of collections capability enables us to recover these discount of their face value. Our highly effective purchases and factors accounts receivable at a and purchasing of accounts receivable for program for the financing and outright factoring Financial Corporation offers an exceptional In tandem with our collection services, Towers

corporate customers

hrough these funding programs, TFC

Corporate credit services

CONSOLIDA BALANCE S ASSETS
HEET:
· • · .

Accounts Receivable [Note 3] \$437,416,432	•-	\$177,155,446	\$ 112,331,892
nyestments (Note 4) 2,805,500	_	2,805,500	3.376.241
Cash and Cash Equivalents 63,473,291	_	9,193,566	3,825,765
Other Receivables 1,173,831	_	1,061,555	130,354
Officer	•	ı	250,000
Property and Equipment - Net 3,258,278	-	3,574,494	1,098,163
Security Deposits 569,846	846	515,812	662,913
Prepaid Interest and Expenses 4,499,700	,700	797,563	421,436
Excess of Cost Over Fair			
Value of Assets Acquired			
From Majority Shareholder			
(Notes 1, 2 and 12) 425,911	911	458,414	
Excess of Fair Value			
of Assets Acquired			
From Majority Shareholder			
Over Cost (Notes 2 and 12)			(365,471)
Total Assets \$513,622,789		\$195,562,350	\$121,731,293

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The accompanying notes are an integral part of the financial statements.

		As Of June 30,	
	1991	1990	1989
Due To Clients	\$191,188,759	\$64,880,237	\$52,501,911
Notes Payable (Note 5)	286,595,677	92,178,894	48,599,658
Loan Payable (Notes 6 and 7)	2,888,966	3,328,133	1,082,447
Accounts Payable and Accrued			
Expenses	6,461,689	7,185,666	1,860,188
Deferred Income	4,442,011		
Income Taxes Payable (Note 8)	1,967,510	13,725,633	6,584,201
(Note 8)	ı	841,850	1,683,700
Total Liabilities	493,544,612	182,140,413	112,312,105
Stockholders' Equity:			
100,000,000 Shares Authorized		÷	
Shares Issued and Outstanding	-		
5,000,000 in 1991, 4,600,000 in 1990	• .		
and 4,500,000 in 1989	5,000	4,600	4,500
Additional Paid In Capital	2,845,000	445,400	345,500
Retained Earnings	17,228,177	12,971,937	9,069,188
Total Stockholders' Equity	20,078,177	13,421,937	9,419,188
Total Liabilities and			
Stockholders' Equity	\$513,622,789	\$195,562,350	\$121,731,293

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Earnings Per Share (Note 10)	Net Income	Provision for Income Taxes (Note 8)	Income Before Provision for Income Taxes		General and Administrative	Salaries and Benefits	Operating Expenses Interest on Notes	voss Revenues		
\$0.91	\$4,256,240	1,086,200	5,342,440	92,106,694	31,159,399	22,386,024	27,381,087	\$97,449,134	1991	
\$0.86	\$3,902,749	6,300,000	10,202,749	64,239,969	32,212,322	14,012,973	10,456,292	\$74,442,718	1990	Fiscal Year Ended June 30,
\$0.78	\$3,486,116	3,326,986	6,813,102	46,455,966	25,548,339	9,487,151	6,868,423	\$53,269,068	1989),

Balance - Beginning of Year Net Income

\$12,971,937 4,256,240

\$9,069,188 3,902,749

\$5,583,072 3,486,116

1991

1990 As of June 30,

1989

Balance - End of Year

\$17,228,177

\$12,971,937

\$9,069,188

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The accompanying notes are an integral part of the financial statements.

⋛	TATE	2
ARNINGS	EMEN	NSOLIDATED
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	INED	
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Page STATEMENT OF CASH FLOWS CONSOLIDATED

		Year Ended June 30,	• .
	1991	1990	1989
Cash Flows From Operating Activities:		•	
Net Earnings:	\$4,256,240	\$3,902,749	\$3,486,116
Adjustments to Reconcile Net Earnings			
to Net Cash Provided By			• •
Operating Activities:			
Depreciation and Amortization	1,401,655	412,556	220,908
Accounts Payable, Accrued	٠.		
Expenses and Other	[1,620,933]	5,303,359	[543,604]
Deferred Income Taxes and			
Taxes Payable	(12,599,973)	22,119	65,113
eferred Income	4,442,011	1	
Prepaid Interest and Expenses	(3,702,137)	6,299,582	3,324,001
Payables Due to Clients	126,308,522	12,378,326	20,895,515
Net Cash Provided By Operating			
Activities	118,485,385	28,318,691	27,448,049
Cash Flows From Investing Activities:			.*
Finance Receivables Acquired	[415,429,644]	(151,436,279)	[80,787,549]
Finance Receivables Principal			
Collected	155,168,658	86,612,725	29,726,247
Purchase Property and Equipment	(322,290)	(2,888,887)	(658,860)
Proceeds From Disposition/Acquisition			-
of Fixed Assets and Investments	J	570,741	223,759
Installment Payment for Acquisition			
of Stock in Subsidiaries		(823,885)	[260,000]
Other .	(439, 167)	(1,160,227)	690,290
Net Cash (Used) in Investing Activities	(261,022,443)	(69,125,812)	(51,066,113)
Cash Flows From Financing Activities:		·	•
Proceeds From Notes Payable	194,416,783	45,824,922	18,908,960
Proceeds From Collection of Note		- 	
Receivable - Officer)))))	250,000	, T
roceeds from Stock Subscription	2,400,000	mo'not	
Net Cash Provided by Financing	10/01/100	47.174.000	10 000 000
Activities	196,816,783	46,1/4,922	18,908,900
Net Increase (Decrease) in Cash and	2070 705	6 367 901	1401 007 11
Cash Equivalents	34,2/9,/23	100,100,0	14,/07,104)
Cash and Cash Equivalents - Beginning			
of Fiscal Year	9,193,566	3,825,765	8,534,869
Cash and Cash Equivalents - End			
of Fiscal Year	\$63,473,291	\$9,193,566	\$3,825,765
			1

For the Year Ended June 30, 1991

STATEMENTS

NOTES TO FINANCIAL

1. Summary of Significant Accounting Policies:

Basis of Presentation

owned subsidiaries, Towers Credit the acquisition and management of accounts Funding Corporation, Towers Healthcare Corporation, Towers Healthcare Receivable receivable directly and through its wholly in 1983) is a diversified company operating in known as O.G. Consulting Corp., incorporated Corporation. and Towers International Reinsurance Healthcare Receivable Funding Corporation III Receivable Funding Corporation II, Towers Towers Leasing Corporation, TFC Funding Corporation, Towers Collection Service, Inc., Towers Financial Corporation (formerly

subsidiary, in October 1987 to acquire United Diversified Corporation. (See Note 4.) Towers Financial Corporation formed Towers Diversified Corporation, a wholly owned

Towers Collection Service, Inc. (April 1980) by Towers Financial Corporation. The consolidated for presentation herein. Each of independently audited and have been statements for each subsidiary were were acquired by Towers Financial Corporation in July 1986. The financial Service, Inc. and Towers Leasing Corporation Towers Credit Corporation, Towers Collection subsidiaries were incorporated as follows: Towers Credit Corporation (October 1982) the consolidated subsidiaries is wholly-owned

The accompanying notes are an integral part of the financial statements.

TFC Funding Corporation (November 1989) Towers Leasing Corporation (March 1985)

Towers Healthcare Receivables Funding Corporation (March 1990)

Towers Healthcare Receivables Funding Towers Healthcare Receivables Funding Corporation II (November 1990)

Corporation (April 1991) Towers International Reinsurance Corporation III (May 1991)

Management have been in control of the the business of Transcon Adjustment Group Ltd., which was founded in 1975. Senior Towers Collection Service, Inc. succeeded to Company since 1975.

Operations and Consolidations

owned subsidiaries (except for United and transactions. elimination of material intercompany accounts the accounts of the Company and its wholly The consolidated financial statements include Diversified Corporation, see Note 4) after

Statement of Cash Flows

Guide-Audits of Financial Companies, in method in accordance with AICPA Audit statement of cash flows using the indirect In 1987, the Company adopted Statement of place of the statement of changes in financial Financial Accounting Standard No. 95, "Statement of Cash Flows", and is presenting a

N

provided in related disclosures. Cash paid for disclosures to the statement of cash flows be interest was \$29,079,335 in 1991, \$12,320,486 in 1990 and 1989 FAS 95 requires that the following supplemental acome taxes was \$11,761,250 in 1991, none in 990 and \$6,727,987 in 1989. Cash paid for

Revenue Recognition

4 no effect on reported net income. recasting of the Company's revenue and costs financial statements. However, the recasting has when compared with the previously published The consolidated statement of income reflects a

1 factoring subsidiary or were irrevocably assigned to the Company's collection subsidiary. In ? Previously, the Company had included in gross Owhich were either acquired by the Company's clients, the costs of collection and the revenue the face value of accounts receivable uncollectible portions of the receivables. computing gross profit the Company deducted the projected amounts for payments due to

calculation. amounts due to chent no longer enter into the and administrative expenses and the projected collection previously deducted in arriving at gross profit are now reflected as part of general Company now reflects in gross income only that portion of the receivables that the Company As a result of the recasting of the figures, the basonably expects it will retain. The costs of

Blue Cross/Blue Shield, workmen's major insurance companies, Medicare, Medicaid from healthcare providers, receivables owed by The factoring operation consists of purchasing,

> companies). The fees for the factoring operation are recognized on the purchase of the receivable from companies extending credit to other delivered and work, labor and services purchased commercial accounts receivable (goods sold and unions and corporate payors of healthcare, and compensation, health maintenance organizations

recorded on the assignment of the account to the are collected Income on RTC/FDIC loans is recognized as they performed and are dependent on contract terms. vary with the nature and volume of service Company at a contingent fee rate. Actual fees The Company's fees for its collection services are

Property and Equipment

three to five years. the estimated useful lives of assets, ranging from Property and equipment are stated at cost and are depreciated using the straight-line method over

incurred. and munor repairs are charged to operations as improvement, whichever is shorter. Maintenance terms of the lease or the estimated life of the Leasehold improvements are amortized over the

40 years in accordance with APB 16 The Company intends to amortize goodwill over

Accounting Change

reporting income taxes. [See Note 8.] The Company has changed its method of

Cash and Cash Equivalents

cash equivalents under FAS Statement 95 as cash The Company treats all assets that qualify as

Capital Leases

ending in fiscal year 1998. Corporation (RCA Services Company) for monthly payments of \$13,522 for 10 years, telephone equipment. The leases provide for The Company has leases with GE Capital

tive years, ending in fiscal year 1993. provides for monthly payments of \$4,002 for Company for computer equipment. The lease The Company has a lease with BLT Leasing

equipment. The lease provides for monthly payments of \$13,244 for seven years, ending in Computer Corporation for computer The Company has a lease with Atlantic liscal year 1997.

Acquisition

Collection Service, Inc. and Towers Leasing stock of Towers Credit Corporation, Towers Brokers, Inc. July 1986. (See Note 12.) Corporation from Professional Business The Company acquired 80% of the common

and 1989. The Company is presently revising corporations from Professional Business be determined. respect to the fiscal years ended June 30, 1990 to deter the payment of such difference with paid and the amount owed with respect to the waived the difference between the amount Brokers, Inc. Professional Business Brokers, Inc remaining 20% of the common stock of these In fiscal year 1987, the Company acquired the business Brokers, Inc. The final cost is still to fiscal year ended June 30, 1988 and has agreed he terms of its agreement with Professional

3. Accounts Receivable

major categories of receivables: Accounts receivable consists of the following

		As of June 30	-
	1991	1990	1989
lection &		÷.	
estrano:	\$268,306,775	\$268,306,775 \$163,769,335 \$112,331,892	\$112,331,892
lthcare			
Stumos	169,109,657	13,386,111	
	\$437,416,432	\$437,416,432 \$177,155,446 \$112,331,892	\$112,331,892

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4. Investments

all assets of UDC, in which case the Company recoupment and damages. recovery in a currently pending counterclaim for would experience no loss on this investment will ultimately be determined to be entitled to Director will not prevail and that the Company in UDC, \$2,805,500, is presented at cost. The condition of UDC. The Company's investment access to information concerning the financial and the Company thereupon ceased to have loss of this investment subject to possible does prevail, the Company would sustain a total Conversely, if the Illinois Insurance Director Management believes that the Illinois Insurance action to take possession of all assets of UDC. Illinois Insurance Director has instituted a legal receivership by the Illinois Insurance Director, months of the acquisition, UDC was placed into insurance holding company, in 1987. Within six The Company acquired an 82% interest in United Diversified Corporation ("UDC"), an

(Continued)

Notes to Financial Statements

acquisition businesses require substantial 5. Notes Payable The Company's factoring and portfolio

primarily through the sale of debt in the capital portfolio acquisition capital requirements The Company has funded its factoring and capital to fund the portion of the purchase price thereby providing funds for further purchases. ayable upon acquisition of the receivables. The now quickly the receivables can be collected, olume of business the Company generates and hount of capital required is dependent on the

5. Long-Term Debt

of the Company's long-term debt includes a bank Loan with a remaining principal balance of \$1,357,834 of which \$1,202,459 is caregorized as bears interest at 11.25% per annum and matures in October 1996. The remaining long Leasing Company which long-term portion Atlantic Computer Corporation and BL7 Capital Corporation (RCA Services Company) the Company's capital lease obligations to GE term debt consists of the long-term portion of ong-term. The loan is secured by equipment, ggregates \$1,319,239. (See Note 7.)

Leases

certain building services) pursuant to subleases in the landlord's taxes and costs of providing which the company pays \$2,531,954 annually approximately 100,000 gross square feet for equipment. The Company's corporate the Company and substantial portions of its subject to adjustment for increases or decreases headquarters in New York City occupy The Company leases all office space utilized by

> with annual rental payments aggregating or are rented on a month-to-month tenancy sales offices are all leased for one or two years \$288,111. which expire in

capital leases:

	As o	As of June 30,	
	1991	1990	1989
Equipment	\$1,327,989	\$1,327,989	\$828,549
Less: Accumulated			
Depreciation	474,804	307,225	
	\$ 853,185	\$1,020,764	\$661,816
The following is a schedule by years of fitting	is a schedu	he by wears	of 6,11,100

lease payments under capital leases: The following is a schedule by years of future

)	Total Payments	Later Years	1996	1995	1994	1993	1992	Year Ending June 30
	\$1,938,136	276,070	321,205	321,205	321,205	329,212	\$ 369,239	

future rental payments required under those during the year ending June 30, 1992 and the leases aggregate \$566,736 for the next fiscal The Company's operating leases all expire

1996. The Company's regional

8. Income Taxes

The following is an analysis of the Company's

~ / * * * * * * * * * * * * * * * * * *	of years	the year of adoption or of restating any number	choice of reflecting the effect of the change in	When adopted, the Company is given the	1990, although earlier adoption is permitted.	this statement until its year ending June 30,	years. The Company was not required to adopt	activities during the current and preceding	taxes which result from an enterprise's	reporting standards for the effects of income	revised. It establishes financial accounting and	issued in December 1987 and is presently being	No. 96, "Accounting for Income Taxes", was	Statement of Financial Accounting Standards	
}	Du	9.0	,		Pena	Zon	Plus	Bene	of F	7	. <u>.</u>		Š	Tax.	

were not affected. deferred tax assets, the financial statements Company had not previously recognized any Statement of Financial Accounting Standards No. 96 for the current fiscal year. Since the Accordingly, the Company has elected to adopt

of 1986. the phase in permitted by the Tax Reform Act for tax purposes, and are decreasing pursuant to previous use of the cash method of accounting Deferred income taxes resulted from the

for 1991, 1990 and 1989 (computed by applying actual effective income tax rate as a result of income before income taxes) differs from the the U.S. federal income tax rate of 34% to Towers Financial Corporation's income tax rate the following:

9. Stock Options		Plus: Nondeductible Penalties	Plus: Starc and Local Taxes, Net of Federal Benefit	Tax at Statutory Rate	
Suoi	19.521%	(21.150)	6.671	34.000%	1991
	62.052%	23.540	4.512	34.000%	1990
	48.832%	01.666	13.166	34.000%	1989

of an additional four hundred thousand shares of options were exercised resulting in the issuance common stock. ring the fiscal year ended June 30, 1991 stock

10. Earnings Per Share

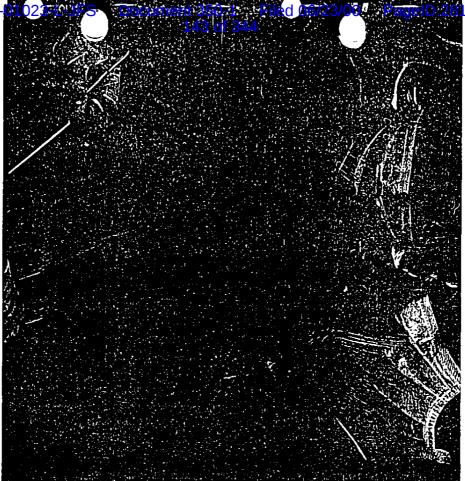
4,695,342 in 1991, 4,529,315 in 1990 and 4,500,000 in 1989 average common shares outstanding of The carnings per share are based on a weighted

11. Commitments

See Note 2 relating to the acquisition of Towers Inc. and Towers Leasing Corporation Credit Corporation, Towers Collection Service,

12. Related Parties

outstanding stock . See Note 2 for details of the excess of 70% of the Company's issued and Professional Business Brokers, Inc. owns in Protessional Business Brokers, Inc. ransaction between the company and



vate facilities, and upgrade By financing their medical accounts saving medical equipment, renosaved can be used to purchase life. better prices from vendors. Money but also negotiate substantially age ongoing overhead expenses. cash flow, they can not only man ment-grade U.S. hospitals. With a able only to the highest investmore prompt, more predictable receive benefits previously availreceivable, healthcare providers

Shield and corporate or union cial insurers, Blue Cross/Blue as Medicare, Medicaid, commer-

health plans.

ACCOUNTS RECEIVABLE COMPUTERIZED

CLAIMS MANAGEMENT BUSINESS OFFICE

After factoring receivables, TFC from third-party reimbursers such due from self-pay accounts, and and management to recover funds applies its expertise in collection SYSTEMS TFC reviews and monitors each step

accelerate the recovery of claims. mate the collection process and cessing systems enable us to auto-Our advanced software and pro-

guidance for the business office nate errors and facilitate faster claims management staff, and payment. We provide support an each claims submission to climiprocess. We thoroughly examine of the accounts receivable claims assist in establishing appropriate in-house systems and controls for billing.

collection.

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The Annual Meeting of Shareholders of Towers Frhancial Corporation will be held on Tuesday, Towers Frhancial Corporation will be held on Tuesday, November 25, 1991 at 10.00 am at Corporate Headquarters at 417 Fifth Avenue, New York, NY 10016.

We did not audit the financial statements of on these financial statements based on our and subsidiaries as of June 30, 1991, 1990 and We have audited the accompanying consolidated balance sheet of Towers Financial Corporation ment. Our responsibility is to express an opinion ncome, retained earnings and cash flows for the 1989 and the related consolidated statements of ne responsibility of the Company's managears then ended. These financial statements are

Owholly owned subsidiaries, which statements

Trevenues for the year then ended as follows:

THRFC 11 \$79,277,000

THRFC 11 \$47,824,000

THRC \$10,237,000

\$12,000 Receivables Funding Corporation III, and Treflect total assets as of June 30, 1991 and total Owholly owned subsidiaries, which statements Funding Corporation II, Towers Healthcare Corporation, Towers Healthcare Receivables Towers Healthcare Receivables Funding Towers International Reinsurance Corporation, TOTAL REVENUES

solely on the reports of the other auditors. us, and our opinion, insofar as it relates to the amounts included for those companies is based auditors whose reports have been furnished to Those statements were audited by other

Case 3:96 cv-01023-L

generally accepted auditing standards. Those evaluating the overall financial statement statements. An audit also includes assessing the audit to obtain reasonable assurance about standards require that we plan and perform the estimates made by management, as well as examining, on a test basis, evidence supporting material misstatement. An audit includes whether the financial statements are free of We conducted our audit in accordance with presentation. We believe that our audit and the accounting principles used and significant the amounts and disclosures in the financial reasonable basis for our opinion. reports of the other auditors provide a

In our opinion, based on our audit and the accounting principles. ended in conformity with generally accepted operations and its cash flows for the years then Towers Financial Corporation as of June 30, reports of the other auditors, the financial all material respects, the financial position of statements reterred to above present fairly, in 1991, 1990 and 1989, and the results of its

Raymond Lewis

Towers Financial Corporation

House of Representatives

Richard Levine

MA

\$10,237,000

\$12,000

Marvin E. Basson, CPA, P.C October 9, 1991 New York, New York

Vichael Rosoff, Esq. : senior Vice President, Chief Legal Officer and xecutive Vice President and Secretary Charles H. Chugerman Vice Chairman of the Board Fowers Financial Corporation Virchell Brater Fowers Financial Corporation Towers Leasing Corporation nd President resident and Towers Financial Corporation SSISTANT Secretary owers Financial Corporation hairman of the Board, teven Hoffenberg pard of Directors hief Executive Officer

The Evans Group, Ltd. Washington, DC Former Co-Chairman, Republican National President The Honorable State of Texas former Speaker of the State of Texas rome Barnes Connolly

Development Corporation Former Chief Operating Austin, The Honorable Ben Barner former Senior Member, Committee and Thomas B. Evans, Jr. Esq House of Representatives Lt. Governor,

Management

Assistant Secretary Michael Rosoff, Esq. Senior Vice President, Charles H. Chugerman Mitchell Brater Chief Executive Officer Steven Holfenberg Chairman of the Board, Xavier Eboli Fowers Financial Corporation Anthony DiNicolas fowers Collection Service, Inc. Senior Vice President ind Secretary Towers Financial Corporation Vice Chairman of the Board **Towers Financial Corporation** nd President ice President owers Financial Corporation owers Leasing Corporation nd President xecutive Vice President owers Financial Corporation wers Financial Corporation

Vice President Towers Financial Corporation Human Resources
Towers Financial Corporation Stuart Dann Vice President Sales Vice President Sales Richard Barbuto, Esq. oseph Turano Alpha Nickelberry oseph Hughes Man Lituchy, Esq. ack Tillem, Esq Towers Financial Corporation General Counsel aun L. Comell Towers Financial Corporation Raymond Lewis Vice President fowers Financial Corporation fowers Financial Corporation Assistant General Counsel
Fowers Collection Service, Inc lowers Financial Corporation owers Financial Corporation ice President Sales owers Collection Service, Inc dministration irector of Sales

Outside Counsels

Kutak Rock & Campbell 1650 Farnam Street, Omaha, NE 68102

Proskauer Rose Goetz & Mendelsohn 1585 Broadway, New York, NY 10036

Transfer Agency and Registrar

85 Challenger Road Overpeck Centre Ridgefield Park, NJ 07660 Mellon Financial Services

This Offering Document Does Not Constitute an Offer to Any Person Other Than:

Offeree Number:

14409

DATED: March 23, 1992

For: Accredited Investors Only

TOWERS FINANCIAL CORPORATION

Upon 90 Days Written Notice By The Investor Bearing Interest At 3.5% Over Chase Manhattan Bank, N.A.'s Prime Rate of Interest, Adjustable Monthly Collateralized, \$150,000,000 In Thirty-Month, Full Recourse Promissory Notes Redecmable Secured And Backed By Accounts Receivable Due From Major Insurance Accounts Receivable Purchased From Governmental Agencies Companies, Commercial Accounts Receivable And Loans And

Companies, Commer

Accounts Receivable.

D

Proul 1,500 Unit (maximum offering u one Unit). Subscription Price Payable Upon \$150,000,000 Subscription 100,000 \$ 10,000(10%) 3135,000,000(90%) The Company

(ii) Commissions of up to 15 per quater of the contrasting principal amount of the Promissory Notes may be paid to broker-dealers who are tradite National Association of Securities Dealers, he, Accordingly, the maximum compensations to broker-dealers with be 10% of the officing; it, promissory sociation are curred prior to the maximity will be a proportionately lower commission. Amount allocated to commissions which paid will increase the proceeds to the Company.

417 FIFTH AVENUE, NEW YORK, NEW YORK 10016 (212) 696-0505

KR 0090

counts Receivable"). ccivables, Business Accounts Receivable and FDIC and RTC Receivables are collectively referred to as the "Ac-Cross/Blue Shield, state governmental agencies, major unions, private insurers, worker's compensation payors, percounts Receivable in a face amount equal to the amount raised by this Offering which is outstanding from time to Receivable will be receivables of and payable by commercial businesses. The FDIC and RTC Receivables will be sonal injury payors, self-payors and co-payors and all other first and third party reimbursers. The Business Accounts time. The Healthcare Receivables will be receivables of, and payable by, major insurance companies such as Blue chased from the Federal Deposit Insurance Corporation ("FDIC") and/or Resolution Trust Company ("RTC") (the nies including subsidiaries of Towers (the "Business Accounts Receivable"); and/or (iii) receivables and Joans purpurchased at auction (or from secondary sources) and, in some cases, may be secured by assets (the Healthcare Re-"FDIC and RTC Receivables"), or from secondary sources. Towers will maintain as collateral for this offering Ac-Collection Accounts Receivable) purchased and/or financed from manufacturers, wholesalers and service compahealbeare providers (the "Healtheare Receivables"); (ii) Business Accounts Receivable (which category includes Healthcare Accounts Receivable purchased and/or financed from hospitals, doctors, medical groups and other Towers by the investor, which Notes are recourse to Towers, secured, collateralized and backed by all types of (i) thirty-month promissory notes (the "Promissory Notes" or "Notes") redeemable upon 90 days written notice Towers Financial Corporation ("Towers" or the "Company") is offering for sale to Accredited Investors only,

"GLOSSARY." CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANING SET FORTH AT

AS DEFINED HEREIN (SEE "GLOSSARY"). THIS DOCUMENT IS CONFIDENTIAL AND MAY ONLY BE SHOWN TO ACCREDITED INVESTORS

ANY STATE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHOR-ITY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR CURITIES AND EXCHANGE COMMISSION OR BY THE SECURITIES REGULATORY AUTHORITY OF ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OF-THE UNITS HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE SE-

CONTAINED HEREIN. TOWERS SHALL MAKE AVAILABLE TO EACH INVESTOR OR HIS AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY UNITS, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM ANY PERSON AUTHORIZED TO ACT ON BEHALF OF TOWERS
CONCERNING ANY ASPECT OF THE INVESTMENT AND TO ODTAIN ANY ADDITIONAL INFORMA-SONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION TION, TO THE EXTENT TOWERS HAS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREA-

THIS OFFERING IS ACCOMPANIED BY THE COMPANY'S 1991 ANNUAL AUDITED REPORT WHICH IS BOUND UNDER SEPARATE COVER. IN THE EVENT PROSPECTIVE INVESTORS DO NOT RECEIVE A COPY OF THE 1991 ANNUAL AUDITED REPORT, NO OFFER IS MADE HEREBY, INVEST TION OF THE SUBSCRIPTION AGREEMENT. TORS ARE REQUIRED TO ACKNOWLEDGE THE RECEIPT OF THE ANNUAL REPORT AS A CONDI

OFFERS TO PURCHASE SUCH SECURITIES WHICH ARE TENDERED TO TOWERS BY PROSPECTIVE INVESTORS. NO SOLICITATION OF ANY SUCH OFFER (INCLUDING ANY SOLICITATION WHICH THORIZED WITHOUT THE PRIOR APPROVAL OF SUCH PROSPECTIVE INVESTOR BY TOWERS. MAY BE CONSTRUED AS AN "OFFER" UNDER FEDERAL ANDVOR STATE SECURITIES LAWS) IS AU-SALES OF THESE SECURITIES CAN BE CONSUMMATED ONLY BY TOWERS' ACCEPTANCE OF

AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENIMED, AND THE APPLICABLESTATE SECURITIES LAWS, PURSUANT TO REG. ISTRATION OR EXEMPTION THEREPROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE

TIME (SEE "RISK FACTORS"). REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF

DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER-DEALERS MUST CONFIRM WITH THE ISSUER THAT EITHER THE SECURITHS HAVE BEEN REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT AS-SURE REGISTRATION OR EXEMPTION FROM REGISTRATION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN REC-IS A CRIMINAL OFFENSE. OMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHOR-ITY, FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONTRIMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY

FOR ALABAMA RESIDENTS ONLY. THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES. NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE OFFERING DOCUMENT ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MENTS, RECOMMENDED OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONadministrator of securities of the state of alask a under provision of 3 aac 08,506-3 aac 08,506. The investor is advised that the administrator has made only a cursory TRARY IS A VIOLATION OF AS 45.55.170. REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE FORALASKA RESIDENTS ONLY. THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE

THE INVESTIGE MOST KELF ON THE INVESTIGE SOWN EXAMINATION OF THE FERSO TITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE CONTROL INVESTIGENT DECISION ON THESE SECURITIES. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS

TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION THAT THIS OFFERING DOC-DESCRIBED HEREIN. MISSION IIAS PASSED UPON THE MERITS OF OR OTHERWISE APPROVED THE SECURITIES

NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES. MADE ANY RECOMMENDATIONS AS TO THEIR FURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE 506 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. FOR ARKANSAS RESIDENTS ONLY. THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 23-42-504(a)(14) OF THE ARKANSAS SECURITIES ACT AND RULE ARKANS AS SECURITES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL

SON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REA-FOR CALIFORNIA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER

OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT

FOR COLORADO RESIDENTS ONLY. THESE SECURITIES HAVE NOT DEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT DE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED

FOR CONNECTICUT RESIDENTS ONLY. THE SECURITIES REFERRED TO IN THIS OFTERUNG DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT, AND, THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UNIFORM. DER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR FLORIDA RESIDENTS ONLY. FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES ARE MADE TO FIVE OR MORE PERSONS PURSUANT TO SECTION 517.061(1)(AX5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT. SUCH SALES ARE VOIDABLE BY THE PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COMPANY OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURI TIES ACT (RULE 3E500.005(5)(a)(12)).

CREE ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED MARCH 23, 1992, PROVIDES THAT TOWERS IS PERMANENTLY ENJOINED FROM VIOLATING THE SECURITIES LAWS AND THAT TOWERS IS TOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COM-MISSION HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED WAIVER IS GRANTED BY THE STATE OF GEORGIA, THE CONSENT DECREE CONSTITUTES AN AU-SUBJECT TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A ALL GEORGIA OFFEREES, FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CONSENT DE

FOR IDAHO RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT: AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

PROVED BY THE SECRETARY OF STATE OF ILLINOIS ON THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE FOR ILLINOIS RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAP-

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OF THE INDIANA CODE. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATIONOR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLI-CABLE EXEMPTIONS THEREFROM.

CURITIES COMMISSIONER OF THE STATE OF LOUISIANA. FOR LOUISIANA RESIDENTS ONCE. THESE SECURITIES HAVE BEEN REGISTERED WITH THE SE THE SECURITIES COMMISSIONER, BY

ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE ANY OF THESE SECURITIES.

OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OF-THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES SECTION 10502(2XR) OF TITLE 32 OF THE MAINE REVISED STATUTES. THESE SECURITES MAY BE DEEKED RESTRICTED SECURITIES AND AS SUCH THE HOLDER MAY NOT BE ABLE TO RESELL LAWS OR UNIESS AN EXEMPTION UNDER SUCILLAWS EXISTS. FORMAINERESIDENTS ONLY: THESE SECURITIES ARE DEING SOLD PURSUANT TO AN EXEMP-TION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OF THE STATE OF MAINE UNDER FOR MARYLAND RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER

THE UNIFORM SECURITIES ACT OF MICHGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRA-FERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED. FOR MICHICAN RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER

ISTRATION, OR AN EXEMPTION THEREFROM. MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REG. HAVE NOT DEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND TION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$50,000. FOR MINNESOTA RESIDENTS ONLY. THESE SECURITIES REPRESENTED BY THIS OFFERING

FOR MISSISSIPPI RESIDENTS ONLY. IN MAKING AN INVESTIMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITES AND THE TERMS OF THE OFFERING. INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITE REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REP-RESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. TIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR MISSOURI RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THER OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES THAVE NOT BEEN RECOMMENDED BY ANY HEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CON-RESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. FIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REP

VESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. IN THESE SECURTHES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE

SHIRE NORTHE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED MENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMP-FOR NEW HAMPSHIRE RESIDENTS ONLY. NEITHER THE FACT THAT A REGISTRATION STATE.

OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO DE MADE, TO ANY PROSPECTIVE PUR-IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMFILETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION CHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS

FOR NEW JERSEY RESIDENTS ONLY. THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY IAS NOT PASSED ON OR ENCORSED THE MERITS OF THIS OFFERING DOCUMENT. THE FILING OFF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IN-IMPLIANT SIL

OFFERING DOCUMENT CURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS SUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURTIES ACT OF NEW MEXICO. ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED ING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SE-THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFER-FOR NEW MEXICO RESIDENTS ONLY. THE SECURITIES DESCRIBED HEREIN ARE OFFERED PUR-

CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERRED AND RESTRICTIONS ON TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREROM, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMIS-SION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURI-TIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERITS AND RISKS INVOLVED. THESE FOR NORTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS

SUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE, WITHOUT INCURRING ANY LIABLITY TO THE COMPANY, IT'S AF-FILLATES OR ANY OTHER PERSON, WITHIN TWO (2)) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WRITTEN BINDING CONDITION FOR ISSUED AS INTERFORMED A FETTER OR TELE-MENT). TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELE-GRAM INDICATING HIS INTENTION TO WITHDRAW TO THE COMPANY AT THE ADDRESS OF THE COMPANY SET FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT DY CERTIFIED. SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS REQUEST HAS DEEN RECEIVED THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST ORALLY, MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE SECURITIES ACT OF 1972, EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PUR-FOR PENNSYLVANIA RESIDENTS ONLY: I'URSUANT TO SECTION 207(m) OF THE PENNSYLVANIA

CHASED HEREIN UNTIL AT LEAST ONE (1) YEAR FROM THE DATE OF PURCHASE. IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNSYLVANIA HEREBY AGREE THAT THEY WILL NOT SELL, TRANSFER OR SUBDIVIDE THE UNITS PUR-

OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. TIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND MISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, PURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURI FOR SOUTH CAROLINA RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTOR

CURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. CURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DA-KOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING IS TRUE, COMPLETE, AND NOT MISLEADING; NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES FOR SOUTH DAKOTA RESIDENTS ONLY THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMITION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHATTER 47-31A, WITH THE DIRECTOR OF THE DIVISION OF SE-PASSED IN ANY WAY UPONTHE MERITS OF RECOMMENDED, OR GIVEN APPROVAL TO THESE SE

SOUTH DAKOTA RESIDENTS HEREBY REPRESENT THAT (I) THEY HAVE A NET WORTH OF AT LEAST \$1,000,000 (EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES); (II) THEY WILL INVEST NOT LESS THAN \$100,000; AND (III) THEIR INVESTMENT DOES NOT EXCEED 10% OF THEIR NET WORTH.

FOR TENNESSEE RESIDENTS ONLY. THESE SECURITIES HAVE BEEN REGISTERED WITH THE

4 STATE OF TENNESSEE. AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE HAS IM
4 POSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS, PURSUANT TO THOSE

5 STANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT

6 STANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT

7 LEAST \$250,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMODILES, AND MUST

8 O HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR AND BE EXPECTED TO

9 HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

9 O HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

9 O HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

10 O HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

10 O HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

10 O HAVE A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR, OR ALTERNATIVELY A

11 D O HAVE A GROSS INCOME OF \$65,000.00 DURING THE SACTION SO INCOME.

12 O O HAVE A GROSS INCOME OF \$65,000.00 DURING THE SACTION SO INCOME.

13 O O HOLD OF THE MINIMUM SUITABLITY REQUIREMENTS INFOSED BY THE STATE OF TENNESSEE (AND THE MINIMUM SUITABLITY REQUIREMENTS INFOSED BY THE STATE OF TENNESSEE (AND THE MINIMUM).

THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE (AND THE MINI-MUM SUTTABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO ACCREDITED INVES

FOR TEXAS RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE

LESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAIL UTAH UNIFORM SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UN-FOR UTAH RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THIS OFFERING DOCUMENT OR UPON THE MERITS OF THIS OF-FERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY

PLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTIMENT FOR AN INDEFINITE PERIOD OF TIME. CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALF. AND MAY NOT DE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE AP-TIES AND THE TERMS OF THE OFFERING, INCLLIDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY HEDERAL OR STATE SECURITIES COMMIS-SION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURI-FOR WASHINGTON RESIDENTS ONLY. IN MAXING AN INVESTMENT DECISION INVESTORS EXHIBITS

Subscription Documents

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Form of Security Agreement Form of Written Notice

Form of Promissory Note B. Subscription Agreement A. Investor Questionnaire

Annual Report of Towers (Furnished under separate cover)

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Upon 90 Days Written Notice By The Investor Thirty-Month Promissory Notes Redeemable TOWERS FINANCIAL CORPORATION

INTRODUCTION

person. Notes. This Offering Document may not be reproduced or used for any other purpose nor furnished to any other led number of prospective Accredited investors for use solely in connection with their consideration of investing in investors are urged to carry out independent investigations in order to determine their interest in investing in the the Notes. See "TERMS OF THE INVESTATENT." To the extent they deem necessary or advisable, prospective formation in connection with the placement of Promissory Notes (the "Promissory Notes" or "Notes") issued by Towers Financial Corporation, as the Issuer. This Offering Document is submitted on a confidential basis to a lim-This Confidential Private Offering Document (the "Offering Document") is provided to furnish certain in-

are qualified in their entirety by reference to such documents and agreements, drafts or forms of which may be obtained as described under "ADDITIONAL INFORNIATION." descriptions do not purport to be comprehensive or definitive. All summaries herein of documents and agreements This Offering Document is accompanied by the Company's 1991 Annual Report which is bound under separate

Brief descriptions of the Notes, the security agreement and certain other documents are contained herein. Such

cover and incorporated by reference.

should review the Section entitled "RISK FACTORS." There are certain risks and other considerations relating to an investment in the Notes. Prospective investors

SUMMARY

in this Offering Document.
"GLOSSARY." The following summary is qualified in its entirely by reference to the detailed information appearing elsewhere his Offering Document. Certain capitalized terms used in this Offering Document are adjused in the

Promissory Notes and Terms of the Investment: Description of the

equal to the amount of the Offering, is offered hereby to Accredited Investors quired from the FDIC and RTC (or from secondary sources), in a face amount companies, including subsidiaries of the Company; and (iii) receivables acworker's compensation payors, personal injury payors, self-payors, co-payors and all other first and third party reimbursers purchased and/or financed from An aggregate of one hundred fifty million dollars (\$150,000,000) consisting of 1,500 units at \$100,000 each of thirty-month from issory Notes which are reonly (see "TERNIS OF THE INVESTMENT" and "DESCRIPTION OF est at the rate of 3.5% over Chase Marthattau Bank, N.A.'s prime rate of interest THE PROMISSORY NOTES"). Recommended minimum subscription is able) purchased and/or financed from manufacturers, wholesalers and service Accounts Receivable (which category includes Collection Accounts Receivhospitals, doctors, medical groups and other healthcare providers; (ii) Business state governmental agencies, major unions, private insurance companies, Receivable of major insurance companies such as Blue Cross/Blue Shield, deemable upon 90 days written notice to Towers by the investor, bearing intery, collateralized, secured and backed by all types of (i) licaltheare Accounts adjustable to the rate in effect at the beginning of each month), payable month-

the Funds (see "DESCRIPTION OF THE PROMISSORY NOTES" and number of units which are required to be subscribed for prior to investment of discretion of Towers and subject to federal and state law. This investment op-portunity will terminate on the earlier of the date all units have been sold or TERMS OF THE INVESTMENT"). February 28, 1993 (the "Offering Termination Date"). There is no minimum for one Unit; however, fractional Units may be accepted at the sole and absolute

days prior written notice to Towers. Towers does not intend to maintain re-serves or a sinking fund for the payment upon maturity of the Promissory deemed. Investors may elect to redeem the principal of their Promissory Notes upon 90 sufficient funds to retire maturing Promissory Notes as they are due of re-Notes; however, Towers expects in the normal course of its business to have

secondary sources). ceivable"); and (iii) loans and receivables from the RTC and FDIC (or from service companies, including subsidiaries of the Company (the "Accounts Recludes Collection Accounts Receivable) from manufacturers, wholesalers and payors, personal injury payors, self-payors and co-payors and all other first and agencies, major unions, private insurance companies, worker's compensation hospitals, doctors, medical groups, health maintenance organizations, rehabi-Towers will acquire and/or finance (i) Healthcare Accounts Receivable from third party reimbursers; (ii) Business Accounts Receivable (which category ininsurance companies such as Blue Cross/Blue Shield, state governmenta litation centers and other healthcare providers which will be payable by major

ceivable from affiliates of Towers may include amounts allocated for adminisor factoring fee of a minimum of 5% for each Account Receivable collected) and all types of Accounts Receivable without restriction. each acquisition or financing. The purchase and/or financing of Accounts Re-The purchase terms for RTC and FDIC Accounts Receivable and loans vary on Receivable for up to 95% of such Accounts Receivable face value (a discount Towers typically acquires and/or finances Healthcare and Business Accounts tration, collection, handling and labor. Towers reserves the right to acquire any

chase or financing of Accounts Receivable. Towers expects to reinvest the the factoring or financing fees will be significant and provide adequate funds funds in purchasing or financing Accounts Receivable and compound its facable thereby compounding the discount or factoring fee with each new purthe Excess Profits Amount) will be reinvested in additional Accounts Receiv-Upon collection of each Account Receivable, the proceeds of collection (less from which investors" interest payments may be made that the spread between its cost of funds (the interest payments to investors) and Towers' purchase and/or financing contracts. Accordingly, Towers anticipates healthcare providers or business entities or in new or different healthcare proloring or financing fee up to six times per year. Towers may reinvest in the same riders or business entities in accordance with the terms of this Offering and

manage their Accounts Receivable efficiently. Towers' Accounts Receivable Generally, hospitals, doctors, dentists, and other healthcare providers do not factoring and financing programs are well received nationwide by healthcare

ers' large staff of healthcare collection experts provide the needed resources to

ers thereby bridging the time delay of slow paying payors including insurance providers because Towers offers the needed funding to these healthcare provid-

ing. The funds of this Offering may be invested in conjunction with Towers pose subsidiaries of Towers pursuant to bond offerings rated "AA+" or "AA" currently servicing four pools of funds invested in wholly-owned special puraccelerate the payment and collection of the Accounts Receivable. Towers is companies, state and government agencies, self-payors and co-payors. Tow-

by Duff & Phelps and pools of funds from prior offerings similar to this offer

able, small businesses generally have limited credit with suppliers and often As relates to the acquisition and/or financing of Dusiness Accounts Receivsory Note programs. head, collection, hardling and labor are taken into account. and/or financing such collection accounts, the costs of administration, overgenerated by the collection subsidiary and/or divisions of Towers. In acquiring gory Business Accounts Receivable. Such collection accounts are usually ers also acquires and/or finances collection accounts which are part of the catebusinesses utilize accounts receivable financing to meet cash flow needs. Towquirements for funds by small businesses are not uncommon. Therefore, small coeds from the sale of such products. Additionally, temporary or seasonal rerequire additional funds for production of products prior to the receipt of prospecial purpose subsidiaries or other pools of funds from loans or other Promis

of loans and receivables at auction based upon Towers' analysis of the value of ables from secondary sources which have acquired such loans and receivables directly from the FDIC or RTC. Generally FDIC and RTC loans are non-persuch packages. Also, Towers may purchase FDIC and RTC loans and receiv-As relates to receivables of the FDIC and RTC. Towers will purchase packages TO TOWERS'). effectively increases the cost of these receivables (see "CONITENSATION including real property; however, such security is not expected. Due to the nalabor and other overhead costs associated with collecting these accounts which sure of the FDIC and RTC receivables, Towers expends substantial funds on forming and in the case of the RTC loans, such loans may be secured by assets,

Receivable acquired. Towers reserves the right to pool Accounts Receivable with other offerings longer maturities. Each pool will be entitled to its pro rata share of Accounts similar to this Offering or with Offerings to which the Promissory Notes have

ingly are backed by Towers' consolidated assets. The Promissory Notes are the full recourse obligations of Towers and accord-

Collateral:

Payment upon the Promissory Notes will be secured by the Security Agree. of the receivables. UCC filings may be insufficient to perfect a security interest. In such cases, Towers may utilize other methods to secure the Offering (as debtor) for those Accounts Receivable purchased or financed with the ment and the filing of UCC-1 Financing Statements ("UCC") against Towers Receivable as Culiateral and Other Security"). such as pledges of receivables (see "PROPOSED ACTIVITIES -- Accounts Funds or the proceeds thereof. It should be noted that due to the nature of some Towers will maintain ş

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Case 3:96-cv-0102	3-L-J S Docum	nent 350-1 Filed 06/1	2 <mark>3</mark> /00 P	ageID.2822	Page
	Distribution of Childs	152 of 344	The Company:	Use of Proceeds:	Funding Account:
	Units to Accredited Investors only either (1) directly, in which case no commissions will be paid; or (2) through broker-dealers registered with the National Association of Securities Dealers, Inc., in which case the following commissions will be paid; 1% per quarter of the cutstanding principal amount of Promissory Notes for the term of the Notes (see "PLAN OF DISTRIBUTION"). Commissions will only be paid upon acceptance by Towers of a fully-executed subscription from a Suitable Investor that is an Accredited Investor (see "PLAN OF DISTRIBUTION"). There is no minimum number of Units "PLAN OF DISTRIBUTION"). There is no minimum number of Units which must be sold prior to investment of the Funds by Towers. Commissions which must be sold prior to investment of the Funds by Towers.	Towers has been engaged in several offerings of securities in the past, including an offering for \$56,500,000 of bonds issued on July 19, 1990, an offering for \$1,500,000 of bonds issued on November 27, 1990, an offering for \$40,500,000 of bonds issued on November 27, 1990, an offering for \$40,500,000 of bonds issued on May 23, 1991 and an additional \$2,000,000 was raised in July of 1991 and an Offering for \$41,500,000 of bonds issued on December 18, 1991 and \$1,000,000 of bonds issued on February 27, 1992, all of which have "AA+" or "AA" rainings from Duff & Phelps. Such bonds were issued by special purpose subsidiaries of Towers which utilize the funds to acquire Accounts Receivables. Towers has also engaged in Promissory Note Offerings in the past and is currently offering 12-month, 24-month and 36-month Promissory Notes pursuant to a Confidential Offering Document, dated October 15, 1991, which offering terminates on September 30, 1992. Investors should note that the terms of this offering differ substantially from the above-described offerings and that it is not anticipated that a rating will be sought for this offering, or if sought, that such a rating would be issued.	Towers is a publicly-traded corporation, organized pursuant to the laws of the State of Delaware, which, through certain of its wholly-owned statidaries or affiliates, has been engaged in various aspects of function and exercicing of Accounts Receivable for the past 16 years. The Company maintains its corporate headquarters at 417 Fifth Avenue, New York, New York 10016, telephone number (212) 696-0505 (see "THE COMPANY").	subsidiaries. The books and records relating to the Funding Accounts are available for inspection and audit at the offices of the Company. Towers has the right at any time to receive payment of the Excess Profits Amount (sa defined herein) from the Funding Account (see "COMFENSATION TO TOWERS"). The proceeds of ulis Offering will be utilized to acquire and/or funance Accounts Receivable, pay commissions to NASID bother-dealers and pay the Excess Profits Amount once sufficient funds are invested (see "USE OF PROCEEDS").	nts Receivable ands raised for frunds will be or more inserers will direct to frunds will be frunds will direct to frunds according to the frunds will the frunds will direct to
KR 0102	ther (1) directly, in which case no commis- oker-dealers registered with the National ne., in which case the following commis- the outstanding principal amount of Prom- is (see "PLAN OF DISTRIBUTION"). acceptance by Towers of a fully-executed for that is an Accredited Investor (see There is no minimum number of Units and of the Funds by Towers. Commissions ws.	mengaged in several offerings of securities in the past, including \$36,500,000 of bonds issued on July 19, 1990, an offering for of bonds issued on November 27, 1990, an offering for of bonds issued on November 27, 1990, an offering for of bonds issued on May 23, 1991 and an additional \$2,000,000 uly of 1991 and an Offering for \$41,500,000 of bonds issued on February 27, 1992, all "AA+" or "AA" ratings from Duff & Phelps. Such bonds were talpurposes subsidiaries of Towers which utilize the funds to acs skectivables. Towers has also engaged in Promissory Note Offering 12-month, 24-month and 36-month post pursuant to a Confidential Offering Document, dated Octowhich offering terminates on September 30, 1992. Investors at the terms of this offering differ substantially from the aboverings and that it is not anticipated that a rating will be sought for art if sought, that such a rating would be issued.	ganized pursuant to the laws of the fits wholly-owned subsidiaries or cits of financing and/or services of financing and/or service. The Company maintains its corporor, New York 10016, telephone PANY").	to the Funding Accounts are avail- tion the Funding Accounts are avail- the Company. Towers has the right s Profits Amount (as defined here- PENSATION TO TOWERS'). zed to acquire and/or finance Ac- SD broker-dealers and pay the Ex- ds are invested (see "USE OF	nt equal to or exceeding the amount hattan Bank, N.A. (the "Bank") in hunds (the "Funding Account(s)"), inds as provided for herein. All proposited pursuant to a lock-box system.

RISK FACTORS

should consult their own legal, financial and business advisers. ing to the proposed business of Towers, including, but not limited to, those certain risk factors discussed below, and Investor to sell or otherwise transfer his Units. Prospective Investors should carefully consider the risk factors retain no public market for the Units, and Federal and state securities laws impose substantial restrictions on the right of an purchase of the Units is suitable only for those persons who can afford to lose their entire investment. There will be Acquisition of the Promissory Notes is speculative and subject to numerous and substantial risks. Therefore,

LIST OF THE RISKS RELATING TO AN INVESTMENT IN THE UNITS. THE WISK FACTORS SET FORTH IN THIS SECTION ARE NOT INTENDED TO BE AN EXHAUSTIVE

- of the Company and the Company's ability to service the program set forth herein (see "THE COMPANY"). inability to attract and retain necessary replacement personnel could substantially and adversely affect the business agement (including the officers, directors and employees of its subsidiaries and affiliated companies) to provide financial and credit services and acquire Accounts Receivable as set forth herein. The loss of key personnel or an 1. Dependence on Management. The Company's success is substantially dependent upon the ability of man
- there be) a public market for the Units. Accordingly, there can be no assurance that an investor will be able to liquidate his investment quickly or on accordable terms, if at all, if he should desire to do so (see "DESCRIPTION OF THE PROMISSORY NOTES" and "TERMS OF THE INVESTMENT—Restrictions on Transfer"). ACL and Investors will have no right to require registration thereof. Furthermore, there is not currently (not will chaser for investment purposes only and not with a view to, or for resale in connection with any distribution. In reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933, as amended (the "Federal Securives Act"), and regulations promulgated thereunder, the Units will not be registered under the Federal Securities 2. Severely Limited Liquidity of Units: Absence of Public Market. The Units must be acquired by each pur
- 3. Availability of Exemptions from Registration. The Units have not been registered under the Federal Securities Act or, in most cases, the securities laws of the jurisdictions in which they are proposed to be offered and sold, in reliance upon certain claimed exemptions. The claimed exemption from Federal registration is complex. for any reason the Company is subject to civil liability; and/or the legal expense of defending the Company in any action or proceeding challenging the availability to the Company of such exemptions, the Co<mark>mpany could have a</mark> material adverse effect upon its financial condition. tration under state securities have frequently depend upon the availability of exemption from Federal registration. If and it is often difficult to determine that its terms have been fully complied with. In addition, exemptions from regis-

- payments of principal and/or interest on the Promissory Notes, then Towers will be liable upon the Promissory Notes to the extent of its consolidated assets. In the event such assets are insufficient to cover the payment of principal retire the Promissory Notes, investors may be delayed in receiving payments of their principal and/or accased intertors. It should be further noted that Towers does not intend to maintain reserves or a sinking fund for the payment the investor may be treated as an unsecured creditor having the same right to Towers' assets as all unsecured credion the Pramissory Note or that the bankruptcy court invalidates the investor's secured position on the collateral and proceeding such collaieral upon liquidation may prove to be insufficient to return to an investor the amount due him Collateral. The Promissory Notes are collateralized by Accounts Receivable in a face amount equal to the aggregate amount invested in the Offering. In the event the collateral is insufficient to satisfy the obligations of Towers to make upon maturity of the Promissory Notes; however, Towers expects in the normal course of business to have sufficient face amount of at least 100% of the amount of proceeds raised in this Offering, it is a possibility that in a bankruptcy Towers has agreed that the Promissory Notes will at all times be secured by Accounts Receivable with a minimum and/or interest on such Promissory Notes, an investor could lose his or her investment, in part or in whole. Although unds to retire maturing Promissory Notes as they become due. In the event Towers does not have sufficient funds to 4. Towers' Ability to Make Payments of Principal and/or Interest Upon the Promissory Notes: Sufficiency of
- discounts and upon the terms stated herein, so that the Company may earn a return sufficient to pay interest and ness will depend, in pan, upon its ability to purchase audfor finance Accounts Receivable of sufficient quality at the 5. Ability to Purchase Qualified Accounts Receivable. The success or failure of the Company's proposed busi-

businesses or subsidiaries may also affect its ability to repay its investors. ultimate ability to pay the principal and interest on the Promissory Notes. The success or failure of any of Towers funds a sufficient number of times during the year is a major factor which will determine Towers' profitability and its principal on the Promissory Notes without incurring high losses for bad debts. The Company's ability to reinvest the

Page or financed by the Company for its own account and for the accounts of certain of its special purpose subsidiaries FDIC and RTC Accounts Receivable cannot be collected or cannot be collected (intely, the Company may not have expected to be made primarily from the collection of Accounts Receivable. In the event Business, Healthcare and sufficient funds to pay interest and principal on the Promissory Notes. Healthcare Accounts Receivable are acquired 6. Collectibility of Accounts Receivable. Principal and interest payments to the Promissory Noteholders are

Contact of the same and

or financed by the Company for its own account and for the accounts of certain of its special purpose subsidiaries.

Quirsuant to the terms of Healtheare Purchase Contracts entered into by the Company with Healtheare Providers.

All or a portion of acquired and/or financed Healtheare Receivables may not be collectible due to possible breaches of representations and warranties made by Healtheare Providers. For example, the claim may be for a brounts determined to be not properly payable by the first or third party obligor, the claim may be improperly docured mented or the first or third party obligor may office payments due on such Healtheare Receivables against amounts. Opowed by the respective Healtheare Provider to the first or third party obligor. An example of a first or third party obligor having an offset night is the right of a Governmental Entity under the Medicare or Medicaid program to offset.

Prior overpayments discovered as the result of routine audits against current payment obligations to a given Healthdue to a breach by a Healthcare Provider of its representations and warranties, the Healthcare Provider will be oblicare Provider. If full payment of the value of a Healthcare Receivable is not received from first or third party obligors red to cure any defect with respect to such Healtheare Receivable or substitute one or more Healtheare Receiva reby requiring Towers to make payments of principal and interest from other sources of funds, if any s. In the event the Healtheare Provider is financially unable to meet its obligations, the Company may generate fficient funds to make full and funcly payment of principal and interest solely from the Accounts Receivable

Filed 06 on the Notes from the Accounts Receivable, thereby requiring the Company to make the payments from its general should occur, the Company may have insufficient funds to make full and timely payments of principal and interest Company may have no recourse against the Healthcare Provider. If an insolvency of a first or third party obligor tion or warranty by a Healtheare Provider, such as the insolvency of a first or third party obligor and accordingly, the A Healthcare Receivable may also be uncollectible for reasons that do not constitute a breach of a representa-

Document 350-1 be uncollectible for many reasons despite Towers' credit checking procedures and collection efforts. In the event a repay investors the principal and interest on their Notes. lesse number of Accounts Receivable become worthless or uncollectible. Towers may not have sufficient funds to As with Healthcare Receivables, Business Accounts Receivable and FDIC and RTC Accounts Receivable may

Referentiable have been inlensified. Towers has not yet selected the specific Accounts Receivable to be purchased or the specific creditors whose accounts receivable will be purchased. Accordingly, Investors will not have the opporforth herein to select the Accounts Receivable and to manage and operate Towers' business. tunity to evaluate the investment of the proceeds of this Offering or the merit or credit worthiness of any particular debtor with respect to the Accounts Receivable, but must rely upon the ability of Towers based upon the criteria set 7. No Opportunity to Evaluate Colluteral. Although the criteria for acquiring aixbor financing the Accounts

DESCRIPTION OF THE PROMISSORY NOTES

Oldand loans purchased from the Federal Deposit Insurance Comportation ("FDIC") and/or Resolution Trust Company
6 KR 0104
Case Concerning the Collection Accounts Receivable) (the "Business Accounts Receivable"); and/or (iii) receivables I purchased and/or linanced from manufacturers, wholesalers and service companies or subsidiaries of Towers (which oily, collateralized by: (i) Healthcare Accounts Receivable purchased and/or financed from hospitals, doctors, upon 90 days written notice to Towers by the Investor (the "Units") bearing interest at the rate of 3.5% over An aggregate of one hundred fifty million dollars (\$150,000,000) of thirty-month Promissory Notes redoem-Manhailan Bank, N.A.'s prime rate of interest as is in effect on the first of each month with interest payable groups and other healthcare providers (the "Healthcare Receivables"); (ii) Business Accounts Receivable

("RTC") or from secondary sources which have purchased loans or receivable packages from the FDIC or RTC (the FDIC and RTC Receivables") consisting of 1,500 Units at \$100,000 each, is offered bereby to Accredited Investors

apply to the Promissory Notes and the bolders the reof until such redemption occurs. upon maturity, the Promissory Notes are not redeemed for any reason, the terms of this Offering shall continue to ment is subject to Towers' discretion and upon the laws and regulations in effect at the time of such reinvestment be reinvested at the option of the Investors at the rates of interest as announced by Towers at that time. Such reinvest Upon maturity, and subject to Federal and state laws and regulation, the proceeds of the Promissory Notes may

Promissory Notes and pay the principal when due will be greatly determined by Towers' overall financial condition Although the Promissory Notes are collateralized by Accounts Receivable, the ability to pay the interest on the

TERMS OF THE INVESTMENT

discretion of Towers. The Offering will terminate on the earlier of the date all Units have been sold or February 28, 1993 (the "Offering Termination Date"). There is no minimum number of Units which must be subscribed prior to Recommended minimum subscription is one Unit; however, fractional Units may be accepted at the sole

promulgated under the Securities Act of 1933, as amended (the "Act") which reads as follows: This Offering is being made only to Accredited Investors (as defined in Section 501(a)(1)) of Regulation D

issucricasonably believes comes within any of the following categories, at the time of the sale of the securities to that "Accordized Investor" shall mean any person who comes within any of the following categories, or who the

- 3 Any Bank as defined in Section 3(a)(2) of the Act or any savings and loan association or other institution toan association, insurance company, or registered investment advisor, or if the employee benefit plan has treat assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; Small Business Investment Company licensed by the U.S. Small Business Administration under Section pany as defined in Section 2(13) of the Act; any investment company registered under the Investment sion is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is cither a bank, savings and plan within the meaning of the Employee Retirement Income Security Act of 1974 if the Investment decithe benefits of its employees if such plan has total assets in excess of \$5,000,000; any employee benefit state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions fo 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any ker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance comas defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiductary capacity; any bro-
- 3 Any private business development company as defined in Section 202(a)(22) of the Investment Adviser
- 9 Any organization described in Section 501 (c)(3) of The Internal Revenue Code, corporation, Massachuoffered, with total assets in excess of \$5,000,000; sets or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities
- £ Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- 9 Any natural person whose individual net worth, or joint net worth with that person's spouse at the time of
- Any natural person who had an individual income in excess of \$200,000 in each of the two most recent sonable expectation of reaching the same income level in the current year years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a rea-

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Acceptance

exemption for Accredited or Institutional Investors. In addition, it should be noted that this Offering is being made pursuant to an exemption which requires that no specific information be furnished. have been registered or in states which afford an exemption similar to the Federal exemption and/or provide a special hereof, this Offering has not been registered with any state and may only be offered in states in which the securities This Offering has not been registered with the Securities and Exchange Commission. Further, as of the date

In order to subscribe for a Unit, each prospective Investor must complete, execute, acknowledge and return to Towers the Subscription Agreement in the form attached hereto as Exhibit I.B. and a check for \$100,000 per Unit acquired.

the Promissory Note shall accrue from the date of Acceptance. The Company shall accept subscriptions only from and Towers will forward an executed Promissory Note in the form set forth in Exhibit II to the Investor. Interest on Accredited Investors If Towers accepts a subscription ("Acceptance"), subscription funds will be deposited in the Funding Account Towers will review the Subscription Documents for completeness, due execution and investor suitability. Towers has the absolute right, at its sole discretion, to reject, in whole or in part, any subscription that is tendered or to waive any defect in any Subscription Documents. If Towers rejects a subscription, it will return the Subscription

Socuments, including the Investor's check, to the prospective Investor.

Restrictions on Transfer

ကိုexemptions from registration provided thereby. offered, and will be sold, without benefit of registration under federal and state securities laws by reason of specific The Units offered hereby have not been registered under the Securities Act of 1933, as amended (the "Federal Securities Act"), nor pursuant to the provisions of the securities laws of any jurisdiction, and the Units are being

The availability of cach swell exemption as superment, the state of th I ment will be required to acknowledge that the purchase is for investment, for his own sole account, and without any Ta view to the redistribution thereof. Accordingly, each prospective Investor when executing the Subscription Agreeview lowards the sale or other disposition thereof and to make certain representations and warranties to Towers. The availability of each such exemption is dependent in part upon the "investment intent" of each prospective

rives Act or any state securives law and Towers will not register the Units in the future (see "RISK FACTORS"), Investors have not been granted the right to require the registration of their Units under either the Federal Secu-

the Federal Securities Act and state securities laws. If an Investor wishes to dispose of his Units, such disposition is circumscribed by the terms of the provisions of

USE OF PROCEEDS

collateral coverage is maintained (see "COLLATERAL COYERAGE"). be entitled to utilize the Excess Profits Amount for any corporate purpose at its discretion; provided the required the Company to a maximum of 10%). The Company will pay all other expenses of the Offering. The Company will the Promissory Notes (see "PLAN OF DISTRIBUTION" for additional commissions which may be payable by foliateralize the Promissory Notes and to pay commissions of 1% per quarter of the principal amount outstanding on The proceeds of the Offering will be used to purchase and/or finance the Accounts Receivable which will

FUNDING ACCOUNT

Account will be paid by Towers. Towers reserves the right to utilize other major money center banks at its discretion deposited pursuant to a lockbox system which Towers has arranged with the Bank. Any fees relating to the Funding other disbursements of the Funds as provided in this document. The proceeds of the Accounts Receivable will be Once the Funds are deposited. Towers may direct the investment of the Funds in Accounts Receivable or make such one or more funding accounts maintained by Tuwers and its subsidiaries (collectively the "Funding Account(s)") (the "Funds"). The proceeds of Accounts Receivable as such Accounts Receivable are collected will be deposited in "Bank") for the purpose of depositing the proceeds of the Offering as funds are received and accepted from Investors A special interest-bearing account has been established by Towers at Chase Manhattan Bank, N.A. (the

PROPOSED ACTIVITIES

acquired or financed from affiliates or subsidiaties of Towers (see "CONFLICTS OF INTEREST"). Presently, Towers, through its New York City headquarters and its regional and branch offices, has identified sub-stantial markets for the acquisition of suitable Accounts Receivable. Additionally, Accounts Receivable may be Towers will use the Funds to acquire and/or finance Healthcare and Business Accounts Receivable and receivables purchased from the FDIC and RTC or from secondary sources which have purchased from the FDIC and RTC.

in a minimum discount, factoring fee or financing fee of 5% for each Account Receivable collected. It should be nowd, however, that Towers may acquire Accounts Receivable for any percentage of face amount of Accounts Re-Towers may acquire receivables in other countries such as Canada and/or the United Kingdom. reinvest in new or different Healtheare Providers or business entities in accordance with the terms of this Offering interest to the Promissory Noteholders. Towers may reinvest in the same Healthcare Providers or business entitles or toring and/or financing fee up to six times a year; which is expected to provide sufficient funds for the payment of each new purchase. Towers expects to reinvest the collected funds in Accounts Receivable and compound the facvested in additional Accounts Receivable resulting in the compounding of the factoring and/or financing fee with ceivable without limitation. Upon collection of each Account Receivable, the proceeds of collection will be rein-Towers typically purchases and/or finances Accounts Receivable for up to 95% of their face amount resulting

Accounts Receivable as Collateral and Security

Such collaieral will consist of Accounts Receivable purchased or financed with a face amount equal to or in excess of mercial Code financing statement filings to be made against Towers, as debtor, relating to the Accounts Receivable anism to secure the investors. In such cases, the security interest is perfected by a piedge of such receivables. the Promissory Notes. For certain of the Healthcare Accounts Receivable, UCC filings may not be the proper mech-The Accounts Receivable will be security and collateral for the Promissory Notes pursuant to Uniform Com-

the Promissory Notes to the extent of its consolidated assets, Further, the Promissory Notes are the recourse obligations of Towers and Towers is liable for the stated value of

nly interests granted to prior or future offerings or loans made to Towers Towers reserves the right to pool the security interest which will be granted to the Notcholders with other secu-

The Healthcare Industry

(i) a thorough examination of claims submissions to ensure prompt payment and reduce incorrect third party provid brought on by slow-paying insurance companies and state/federal governmental agencies, and collect a greater porextremely complex, time-consuming and labor intensive. Typically, hospitals, doctors, dentists and other beaithcare tion of the funds to which such healthcare provider is entitled. For qualified healthcare providers, Towers provides Towers Healthcare Accounts Receivable funding program allows healthcare providers to bridge the time delays each flows are disrupted by the delay between the filing for payment of funds and the receipt of such funds. professionals or groups do not efficiently manage their billing, collection and insurance operations and accordingly, grow reflecting age and population trends. Billings, collection and insurance compliance for healthcare groups are The healthcare industry in the United States has grown rapidly over recent years and is expected to continue to

er deductions; (ii) the ability to reduce internal staffing; and (iii) use of sophisticated data processing equipment

to their financial stability and liquidity. Accordingly, the ability of Healthcare Providers to sell, factor or finance their accounts receivable is paramount

Description of Healthcare Accounts Receivable

commercial insurance; Blue Cross; government programs; and self-pay. able of the Healthcare Providers can be separated into the following categories based on the payor on the accounts: time to time enter into healthcare purchase and/or financing contracts with Towers. Generally, the Accounts Receiv-The Notes will be secured, in part, by the Healthcare Receivables generated by Healthcare Providers that from

Providers may charge for their services. tractual arrangements with the individual Healthcare Providers which set the fees and charges that the Healthcare ployees or members. The commercial insurance company generally reimburses the Healthcare Provider for the ("HMO"); (iii) a preferred provider organization ("PPO"); or (iv) employers or unions who self-insure their canother insurance policies or administrative services only contracts ("ASOs")); (ii) a health maintenance organization from either (i) a commercial insurance company (pursuant to health, personal injury, workmen's compensation and lealtheare Provider's charges less any co-payment portion or deductibles. HMOs and PPOs generally have con-The commercial insurance category covers the Healtheare Receivables for which payment will be received

ry, together with non-profit health insurance companies, are referred to as the "Insurers.") the Blue Cross program. (Collectively, companies in the commercial insurance category and the Blue Cross categoments to be received from "Dlue Cross" entities will not be acquired unless the Healthcare Provider is a participant in (iii) a negotiated rate or (iv) the Healthcare Provider's cost of service. Healthcare Receivables representing paycare Provider's standard fees and charges. (ii) a percentage of the Healthcare Provider's standard fees and charges. bwn arrangement with Blue Cross whereby the Healthcare Provider may receive reimbursement for (i) the Healthhich operate as individual entities. Each Healtheare Provider which participates in the Blue Cross program has its ross" entities. While Blue Cross is a national entity, it is comprised of a series of state or multistate organizations The Blue Cross calegory covers all Healthcare Receivables for which payment will be received from "Blue

COPH a formula associated with the cost of care. Medicare law requires Healthcare Providers to accept Medicare pay-Contents for anything other than the usual deductible and co-insurance amounts. Healthcare Providers can charge ment as payment in full for "covered" items or services and prohibits Healthcare Providers from charging Medicare Gall into this category of accounts receivables. $oldsymbol{ ext{ iny}}^{ ext{ ext{ ext{ iny}}}}$ noncovered" items or services. Claims against state workmen's compensation funds also for other governmental entities. The receivables are paid at either a predetermined rate per diagnosis or a rate based the federal government ("Medicare"), jointly from the state governments and the federal government ("Medicaid") The government program category includes Healthcare Receivables for which payment is received from either

of first billing vider charges its standard fres and charges and the accounts are usually outstanding for 120 to 180 days from the date received from either the individual patient or an individual guarantor on the patient's account. The Healthcare Proindividuals for amounts in excess of the first or third party obligor's obligation ("co-pay") for which payment will be The self-pay category consists of accounts receivable (i) of individuals for medical services provided, or (ii) of

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suant to purchased claims from Healthcare providers: The following representative list sets forth those insurance companies that are obligated to pay Towers pur-

Liberty Mutual Insurance Co First Fund Insurance Co. Equitable Insurance Company Connecticut General Life Insurance Co. Mutual of Omaha Actna Insurance Company Travelers Insurance Company Prodential Insurance Company State Рали Інзипансе Сопрану General American Insurance Company Blue Cross/Blue Shield

Cign. Continental Life Combined Insurance of America Chubb Pacific Group Best Benefits New York Life Insurance Co. Alistate Insurance Co. National Association of Letter Carriers Metropolitan Life Insurance Co.

Healtheare Receivables and accordingly. Towers will be able to quickly place the Funds. has generated, through its New York City beadquarters and its regional and branch offices, a substantial backlog of and efficiently acquire, service and collect Healthcare Receivables due from various insurance companies. Towers ministrators, collectors, paralegals, claims examiners, claims billers, claims supervisors and attorneys can properly servicing and/or financing and through its professional collection team, trained insurance adjusters, insurance adgroups of which Towers is one of the leaders. Towers has 16 years of experience in healthcare accounts receivable There currently are several financing sources which actively acquire accounts receivable from healthcare

Pacific Munal Insurance Co

John Hancock Insurance Co. Fireman's Fund Insurance Co

lartford Insurance Co.

Determination and Criteria of Eligibility for Healthcare Accounts Receivable

The Company will accept reimbursable Healthcare Accounts Receivable that have been verified with first and third party insurance carriers including unions, self insured groups, first and third party reimbursers and city and state agencies and documented in the patient account file. The Company may purchase or finance direct government reimbursed accounts, or first or third party receivables located in Canada, the United Kingdom or elsewhere at the propriety of the Stated Value of the Healthcare Receivables by judgmentally selecting Healthcare Receivables that sure that appropriate verification has occurred. The Healthcare Provider is responsible for verifying the validity and for final bill production and late charges. The Healthcare Provider will perform the pre-screening functions to ento Towers after a predetermined period of time from discharge depending upon the Healthcare Provider's window Company's discretion. It is the Healthcare Provider's responsibility to send eligible healthcare accounts receivable meet certain criteria.

Description of Business Accounts Receivable

cannot afford to wait until the due date of the accounts receivable in view of the fact that overhead expenses, such as to meet temporary or seasonal cash flow interruptions is usually not available. Accordingly, many businesses utilize their suppliers and often require additional funds for production prior to the sale of products. Short-term borrowing nesses" accounts receivable are traditionally due 30 to 90 days after issuance and, in many instances, such companies Accounts Receivable financing on a seasonal or ongoing basis to meet their each flow needs payrolf, rent and taxes must be paid on an ongoing basis. Generally, such small businesses bave limited crodit with firms which have substantial assets or each flow are able to readily finance their accounts receivable. Small busiume of between \$500,000 and \$10,000,000 for the funding of accounts receivable. Historically, only established Funds for this purpose. Most large institutions do not extend substantial loans to businesses with annual sales vol-Towers actively acquires or finances Accounts Receivable of qualified companies and may use a portion of the

Accounts Receivable for up to 95% of such Accounts Receivable stated value (a discount, factoring or financing fee dium and large companies can sell or finance their accounts receivable to Towers. In order to be eligible for purchase and/or finance, the accounts must satisfy certain requirements imposed by Towers. Towers acquires or finances Towers has created an accounts receivable purchasing and/or financing program pursuant to which small, me-

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F.W. Woolworth Company

.C. Penny Company, Inc.

per year. reinvests the funds and compounds its fees with each purchase. Towers expects to reinvest the funds up to six times The following is a representative list of companies obligated to puy Towers on Business Accounts Receivable

of a minimum of 5% for each Account Receivable collected). Upon payment of each Account Receivable Towers'

which have been previously acquired and which are likely to be acquired by Towers in the future: Burlington Northern Railroad Revious line. RCA Corporation Company, Inc. Avon Products, Inc. Mitsubishi International Co. King Kullen Grocery Co. Campbell Soup Company General Electric Company

Pace Membership Warehouse

X-MS Wall Disney Productions Esselle Pendaflex Corporation Lever Brothers Company Simon and Schuster

mercial Code filing, if available. in (or direct purchase of) the Accounts Receivable of the financed company which is evidenced by a Uniform Com-Towers requires as security for payment of acquired or financed Accounts Receivable first lien security interest

Caterpillar Inc.

Raytheon Co., Inc.

by Towers. Similar provisions are utilized for financings. Business Accounts Receivable will be documented by written agreements between Towers and the seller or financoffset the amount which is due to Towers from the unpaid Business Accounts Receivable against other payments and that in the event of nonpayment, the bill of sale will provide that Towers and its assignees will have the right to seller generally will contain representations and warranties that the Accounts Receivable are valid and not in dispute ing party and in a purchase Towers will receive a bill of sale or purchase agreement for the Accounts Receivable surrent or for a price above or below that stated herein under certain circumstances. The purchase or financing of which are due to the financed company on other Accounts Receivable of the financed company which are collected which will give Towers title to and ownership of such account. The bill of sale and/or purchase agreement from the Towers reserves the right, in its sole discretion, to acquire and/or finance Accounts Receivable which are not

Omajor rating agency; however, Towers reserves the right to purchase or finance Accounts Receivable which are not ©10, the following: manufacturing, transportation, communications, the wholesale and retail trade, finance, insurance L'and healtheare professionals. o listed if in Towers' sole discretion such companies or consumer Accounts Receivable are comparable to listed Companies. Towers may accept Accounts Receivable from accounts in various industries, including, but not limited Towers generally only purchases or finances Business Accounts Receivable of companies which are listed by a

this Offering. It should be noted that collection accounts may be obtained for no payment by Towers; however, substantial cost may be associated with collecting these Accounts Receivable. resenting payments due Towers as collection fees for services performed in Accounts Receivable Management and factoring. These collection accounts will be valued at the amount of the collection fee due Towers for the purpose of affiliates have a financial interest. Towers purchasing from affiliates may include the acquisition of receivables rep-Towers may purchase or finance Accounts Receivable from its affiliates and from companies in which it or its

Description of FDIC and RTC Loans and Receivables

receivables are backed by assets while others are unsecured of various categories including performing, non-performing, charge-offs and write-offs. Some of these loans and loans and receivables will be sold by the FDIC and the RTC over the next 24 months. These loans and receivables are assets of banks and savings and loan associations which are in receivership. It is estimated that billions of dollars of his bludons Reform, Recovery and Enforcement Act of 1989 ("FIRREA")) have the responsibility for biquidating The Federal Deposit Insurance Corporation and the Resolution Trust Company (established by the Financial

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stantial discretate from face value, the successful collection upon a portion of these loans and receivables will produce a profit factor. Towers may also purchase FDIC and RTC originated towns and receivables from secondary quired loans and receivables. Since the loan receivable packages offered by the FDIC and RTC are offered at sub-FDIC and RTC. Towers will bid on suitable loan and receivable packages and if such bid is the highest bid, will sources which have acquired such receivables directly from the FDIC and RTC acquire the loan and receivables packages. Towers will then utilize its collection abilities to collect upon the se-The FDIC and RTC packages Loans and Receivables for sale at auction through the regional offices of the

Offering even though they may be purchased for substantially less than the face amount It should be noted that FDIC and RTC Receivables are taken into account at face amount for purposes of this

COMPENSATION TO TOWERS

corporate purpose as determined in the sole and absolute discretion of Towers. face amount of the Accounts Receivable plus (ii) the Funds on deposit in the Funding Account exceeds (b) (i) the face amount of all issued Promissory Notes plus (ii) all accrued and unpaid interest due on such Promissory Notes (the "Exeess Profits Amount"). Towers' Exeess Profits Amounts are the assets of Towers and may be used for any Towers will be entitled to transfer or use for its own account an amount equal to the amount by which (a) (i) the

collecting and servicing Accounts Receivable. Towers' affiliates and subsidiaries may charge a fee or make a profit on such services; however, it has been represented that such fees or profits will not exceed those such affiliates and portion of the costs of Accounts Receivable may be a reinibursement of Towers or its subsidiaries costs (including subsidiaries charge third parties and will be comparable to third party company charges. It should also be noted that a administrative, overhead, labor and fixed costs) Towers intends to utilize its subsidiaries and affiliates for the purpose of generating Accounts Receivable and

COLLECTION OF ACCOUNTS RECEIVABLE

Accounts Receivable which become past due at TCS's standard rates (see "CONFLICTS OF INTEREST" and "COMPENSATION TO TOWERS"). TCS is a major, full-service collection agency which has the ability to service all collections relating to this Offering (see "THE COMPANY"). Towers Collection Service, Inc. ("TCS"), a wholly-owned subsidiary of Towers, will be utilized to collect any

COLLATERAL COVERAGE

Accounts Receivable as Cultateral and Security"). amount of the appregate offering less each on hand in the Funding Account(s) (see "FROPOSED A CTIVITIES— Towers will maintain as collateral for this Offering Accounts Receivable in the face amount of at least the

THE COMPANY

and through its subsidiaries and their predecessors has, over the past 16 years, provided account receivable financing and management services for over 23,000 corporate and healthcare clients. Such services include the purchase and are located at 417 Fifth Avenue, New York, New York 10016. collection of accounts receivable on a contractual basis for the account of others. Towers' corporate beadquarters recovery of accounts receivable for Towers' own account (commonly known as factoring or financing) and the Towers is a publicly-raded corporation organized pursuant to the laws of the State of Delaware which, directly

approximately 100,000 gorss square feet of office space in New York City. In addition, Towers has established reing clients for Towers' services. Towers maintains a marketing staff of account executives and area managers plus gional branch offices and said life operations which provide coverage to all major states in the United States regional managers. Towers employs area sales executives in most of the states. Towers and its subsidiaries lease an extensive network of independent contractors to supplement its in-house sales force. As of February 28, 1992, Towers had contracts with over 1,000 independent contractors who are paid on a commission-only basis for solicit-As of February 28, 1992, Towers had a staff of approximately 700 full time employees. In addition, Towers has

(and certain other subsidiaries which are special-purpose subsidiaries), have engaged in either servicing or acquiring accounts receivable having an aggregate face value in excess of \$1 billion. ing Document under separate cover. The consolidated financial statements of Towers for the year ended June 30, 1991 are accompanying this Offer Towers serviced in excess of \$800,000,000 in outstanding debt for over 23,000 accounts during the fiscal year Towers and its subsidiaries, Towers Credit Corporation ("TCC") and Towers Collection Service, Inc. ("TCS")

of their business experience below, each of the persons listed has held his position with Towers since October of sors and attorneys. In addition, Towers' staff of computer programmers has specially designed computer software ended June 30, 1991. Towers utilizes an experienced staff of collection professionals, including trained insurance Directors and Executive Officers programs to support Towers' healthcare financing activities. analysts, medical insurance claims analysts, collectors, paralegals, claims examiners, claims billers, claims supervi The directors and executive officers of Towers are listed below. Except as otherwise set forth in the description

Raymond Lewis	Richard Levine	Xavier Eboli	Anthony DiNicolas	Ben Barnes	Thomas B. Evans, Jr.	Charles H. Chugerman	Michael Rosoff	Mitchell Brater	Steven Hoffenberg	Name
7.4	45	<u>\$</u>	41	53	58	32	4	50	47	Age
Director and Vice President	Vice President	Vice President	Senior Vice President	Director	Director	Director, Vice President and Secretary	Director, Scalor Vice President, Chief Legal Officer and Assistant Secretary	Vice Chairman of the Board and Chief Operating Officer	Chairman of the Doard, Chief Executive Officer and President	Positions and Offices Held With Towers

Board of Directors. duly elected and qualified. Towers' executive officers are elected annually by, and bold office at the pleasure of, the Towers' directors hold office until the next annual meeting of stockholders or until their successors have been

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Business Brokers, Inc. (the prior owner of TCC and TCS) since their inception. 987. Mr. Brater has also been President of Eton Capital Corp. and Eton Securities Corp. ("Eton"), and Eton's pre-Steven Hoffenberg has been the Chairman of the Board, CEO and President of Towers. TCC and Professional Mitchell Brater became Vice Chairman of the Board and Chief Operation Officer of Towers in November

President, an Assistant Secretary, General Counsel and a Director of Towers in 1986. Mr. Rosoff has also been a Vice President, General Counsel and a Director of TCS and TCC since 1984. Michael Rosoff became a Senior Vice President and Chief Legal Officer at Towers in 1989. He became a Vice

cessors for more than the past five years. Eton Capital Corp. is a financial services company

Charles H. Chugerman has been President of TLC since 1985 and a Vice President of TCS since 1984

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Corporation, a diversified minerals and materials firm. Mr. Evans served as Co-Chairman of the Republican Nationof Manail, Phelps, Rothenberg & Evans from 1985 to 1989. Mr. Evans currently serves as a Director of Zemen al Committee from 1971 to 1973. He was a member of the United States House of Representatives from 1977 to the Evans Group Ltd., a Washington, D.C.-based consulting firm, since 1989 and was a senior partner in the law firm The Honorable Thomas B. Evans, Jr. became a Director of Towers in 1990. Mr. Evans has been the President of

ment consultant since 1987 and is currently operating under the name of Entrocorp. Prior to that, Mr. Barnes was the Chief Executive Officer of Barnes-Connally Partnership, a real estate and oil and gas holding and development comtions in the Texas real estate and oil and gas industries during the mid 1980's. nally Parmership filed voluntary petitions with the United States Bankruptcy Court In December 1987 and July the Speaker of the House of Representatives of the State of Texas from 1965 to 1969. Mr. Barnes and Barnes-Conpany, from 1981 to 1987. Mr. Darnes served as Lleutenant Governor for the State of Texas from 1969 to 1973 and as 1987, respectively, under Chapter 7 of the United States Bankruptcy Code as a result of the severe economic disloca The Honorable Ben Barnes became a Director of Towers in 1990. Mr. Barnes has been a business and govern-

1987, Mr. DiNicolas was a securities broker with Bear, Steams & Co., Inc. 1987, Mr. DiNicolas was a Vice President at Smith Barney, Harris Upham & Co., Incorporated and from 1985 to 1989 to September 1989, and a Vice President at Security Pacific National Bank from 1987 to 1989. From 1986 to Anthony DiVicolas, prior to joining Towers in 1989, was a Vice President at First Ottio Socurities from April

been a Director of TCC since 1989 and a Director and President of TCS since 1985 Xavier Eboli has been a Director of Towers since 1988 and a Vice President of Towers since 1986. He has also

Richard Levine has been in his current position with Towers since 1984.

Raymond Lewis has been a Vice President and Director of TCC since prior to 1984

CONFLICTS OF INTEREST

third party. accordingly may have a conflict of interest in the purchasing and administering of Accounts Receivable. Various siftiates of Towers may be involved in acquiring, servicing, collecting or selling Accounts Receivable to Towers. Towers has represented that it will not cause an affiliate to charge any more for its services than it would charge a Towers is acquiring and/or financing Accounts Receivable for its own account and for the account of others and

cordingly, there may be a conflict as to the acquisition of accounts receivable and the servicing thereof. Further, Towers is sponsoring either directly or through affiliates, other accounts receivable programs.

ADDITIONAL INFORMATION

Company's offices for review. Such information includes the following: from Towers, which to the extent reasonably available, will either be furnished to such Investors or available at the Investors or their professional advisers will be provided with the opportunity to request additional information

- Certificate of Incorporation of Towers;
- By-Laws of Towers; and
- Opinion of Counsel as to the legality of the securities

PLAN OF DISTRIBUTION

amount of Promissory Notes will be paid, subject to restrictions imposed by state securities laws, for a maximum directly (in which case no commissions will be paid); or (2) through broker-dealers registered with the National aggregate of 10% if the Promissory Notes are held by the investors to maturity. Association of Securities Dealers, Inc. in which case commissions of: 1% per quarter of the outstanding pencipal The Company is self-underwitting this offering of Promissory Notes for sale on a best-efforts basis either (1)

LEGAL MATTERS

tion of this Offering Document. Bronson & Migliaccio, New York, New York, was retained as special counsel for the Company for the prepara-

PROMOTIONAL AND SALES LITERATURE

in this document or the exhibits hereto and, if made, such representation must not be relied upon. document and the exhibits hereto. No person has been authorized to make representations other than those contained No offering literature or advertising in any form shall be employed in the offering of these Units except for this

LITICATION

pliance with Section 5, 3(b), 4(2) or 4(b) of the Securities Act of 1933, as amended, depending on the Section appli-Elon has retained independent counsel to provide a written opinion and certain other advice to Eton regarding comprohibiting Eton from participating in any public and certain private offerings of securities for three years unless of Euon, consented to the entry of an Order on May 13, 1989 by the Securities and Exchange Commission in an addiscussed above, Eton, in its capacity as a registered broker-dealer, and Mitchell Drater, in his capacity as President entry of a judgment of similar permanent injunction on April 27, 1989. As a result of the same allegations as are er and Eton, without admitting or denying the Securities and Exchange Commission's allegations, consented to the cable to the particular offering. with any broker, dealer, investment company, investment advisor or municipal securities dealer for 60 days and (iii) public and certain private offerings of securities for 60 days, (ii) prohibiting Mitchell Brater from any association ministrative proceeding separate from the civil action discussed above (i) prohibiting Eton from participating in any 1988 enjoining them from violating Sections 5(a) and 5(c) of the Securities Act of 1933, as amended. Mitchell Braichange Commission's allegations, consented to the entry of a judgment of permanent injunction on November 16, Commission. The Company, TCC and Steven Hoffenberg, without admitting or denying the Securities and Ex-Mirchell Bracer and Elon alleging that offers and sales of certain securities of TCC were made to the public by such District Court for the Southern District of New York (88 Civ. 5421) against the Company, TCC, Steven Hoffenberg persons without first having a registration statement on file and declared effective by the Securities and Exchange On August 4, 1988, the Securities and Exchange Commission commenced a civil action in the United States

relating to its 1988 private offering of promissory notes due to the failure to timely file a notice of exemption within 30 days of completion of the offering. On October 17, 1989, the New Jersey Bureau of Securities issued an order of denial of exemption against TCC

the Alabama Securities Act sale of any security or from any other securities activities into, within, or from the State of Alabama in violation of the Alabama Securities Commission. The Administrative Order directed TCC to cease and desist from any offer or sory notes to nonaccredited investors in violation of the terms of an exemption from registration of such sales with Securities Commission following a determination by the Alabama Securities Commission that TCC sold its promis-On February 20, 1990, TCC consented to the entry of an Administrative Order against TCC by the Alabama

lenance of a current registration or claim of an applicable exemption at all times offers and sales of their securities are On June 11, 1990, the State of Nebraska Department of Banking and Finance entered a Consent Order in an administrative proceeding against the Company and TCC after finding that the permanent injunction entered against the Company and TCC from using the private offering exthe Company and TCC, as described above, disqualified the Company and TCC from using the private offering ex-Nebraska law. The Consent Order imposed a \$5,000 penalty and fine on the Company and TCC and required mainand, as a result, three of such sales in Nebraska were made in violation of the securities registration requirements of emption from registration that is provided in the Nebraska Revised Statutes, for sales of certain promissory notes

the Louisiana Securities Act. The Louisiana Cease and Desist Order arose out of an investigation by the Louisiana Securities for the State of Louisiana ordering the Company to cease and desist any activities which are in violation of On January 8, 1991, the Company consented to the entry of a Cease and Desist Order by the Commissioner of

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entry of the Cease and Desist Order, the Company neither admitted nor denied any fiability an exemption from registration under Louisiana securities laws and regulations. In the Cease and Desist Order, the Securities Act, in that the [promissory notes] were not registered in the State of Louisiana." In consensing so vestment Group, Inc. were sold on behalf of the Company in a manner that did not comply with the requirements for Commissioner of Securities into whether certain promissory notes offered by the Company through Biedenharn In-Louislana Commissioner of Securities stated that "it appears that (the Company) is in violation of the Louislana

of the Company's success in raising nearly \$100 million in debt through two subsidiaries without registration of such management believes that any such increase in the cost of raising capital would not be material, particularly in light securities in reliance upon other exemptions from registration. exemptions from registration, which could result in an increase in the Company's cost of raising capital. Company the Uniform Limited Offering Exemption from registration of offers and sales of securities under the various states would be required to register its future securiues offerings in certain states or would be required to rely on other securities laws. If the Company were disqualified from the future use of the Uniform Limited Offering Exemption, it Certain of the foregoing federal and state orders will, if not waived, disqualify the Company from future use of

merit and that an adverse determination on matters other than damages would not result in a damage award which counterclaim which alkeged violations of the Racketeer Influence and Corrupt Organizations Act ("RICO") and al., Case No. 89 C 0913 (N.D. III.). would have a material adverse effection the Company. Towers Financial Corporation, et al. v. Ernest M. Solomon, et Court in the Northern District of Illinois. The Company's management believes that the counterclaim is without sought triple damages was dismissed by the court. Both proceedings are pending before the United States District marily, the alleged use of UDC assets for expenses not related to the business of UDC). That portion of the mon stock and subsequent actions alleged to have been taken by Steven Hoffenberg, the Company and others (priof certain representations alleged to have been made in connection with the Company's acquisition of the UDC comamount not less than \$30 million for fraud and conversion by the Company. Steven Hoffenberg and others as a result defendants counterchinned for compensatory duringes in the amount of \$15 million and punitive damages in an mon stock and actions taken by Solomon subsequent to his sale of the LDXC common stock. In April 1990, the dants as a result of certain misrepresentations made in connection with the Company's acquisition of the UDC comstock of United Diversified Corporation ("UDC") in 1987. The Company alleges that it was defrauded by the defen sion and damages in connection with the sale by Solomon to the Company of approximately 83% of the common The Company instituted a lawsuit in 1989 against Emest M. Solomon ("Solomon") and others seeking resets

tor of Insurance which are expected to be formally settled within a reasonable period of time: The Company has reached an agreement in principle to settle the following three actions with the Illinois Direc

- ance Company v. The American National Bank of Schiller Park fixla First National Bank of Schiller Park, et al.; Pending further order by the United States District Corne, the funds are being retained by the banks. Cadifiae Insurin the latter's capacity as receiver of Cadillac Insurance Company, a company formerly controlled by Solomon, Case No. 89 C 3267 (N.D. 111.). There are other claimants to the fund, including the Illinois Insurance Director and the Michigan Insurance Director amount of approximately \$3.5 million plus interest, totalling approximately \$4.1 million as of March 31, 1991 1. On UDC's behalf, the Company is a claimant to certificates of deposit held by several banks in the principal
- proceedings, Mr. Hoffenberg may be entitled to indemnification by the Company pursuant to its Bylaws and: ments and property properly belonging to the purported conservator were turned over. In this and the other ling \$2.9 million. Mr. Hoffenberg has denied the material allegations of the Petition and has alleged that all docu-Code. That action is still pending. In the UDC liquidation action, the Director has filed a petition to compel Mr. an insurance company and, therefore, is not subject to liquidation or conservatorship under the Illinois Insurance conservatorship and petitioned for liquidation of UDC. UDC is contesting that petition on the basis that UDC is not proceedings, the substitutaries acquiesced to the Director's liquidation petitions. The Director also placed UDC into a Hoffenberg to turn over to the Director certain assets allegedly belonging to UDC and the insurance companies total Associated Life Insurance Company, two wholly owned UDC subsidiaries. After initially contesting the liquidation Illinois Insurance Director instituted liquidation proceedings against United Fire Insurance Company The Company is involved in additional Higation arising out of its acquisition of the UDC stock. In 1988, the

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cable Delaware Law. People of the State of Illinois ex rel., John E. Washburn, etc. v. United Fire Insurance Company, et al.; Case No. 88 CH 6942 (Cir. Ct. Cook Cty. 88 CH 6942).

brought by the Acting Director of Insurance of the State of Illinois (the "Director"), in his capacity as Conservator of UDC and as liquidator of Associated Life Insurance Company ("ALI") and United Fire Insurance Company Charles H. Chugerman, Michael Rosoff and Towers Diversified Corporation, case No. 91C4024 (E.D. III.). ers. James W. Schact, Acting Director of Insurance of the State of Illinois, in his capacity as Conservator of United in extensive negotiations with counsel for the Director and expect to settle this matter on terms satisfactory to Towand damages based upon the Director's providing of false and misleading financial information to Towers and the answered the complaint denying all of the claims and Towers has interposed certain counterclaims for recoupment the Confidential Private Offering Document of Towers dated October 15, 1991, under Utigation on page 17. This ts A monetary action for damages against Towers and certain individuals who were directors of UDC, ALI and UFI Diversified Corporation, as liquidator of United Fire Insurance Company v. Steven Hoffenberg. Mitchell Brater, UDC, UFI and ALI prior to TDC's acquisition of UDC. Towers' chief legal officer and local counsel have engaged Director's making of false and misleading representations and omissions to Towers as to the financial condition of based on claims of fraud, conversion breach of fiduciary duly, negligence, breach of contract and RICO. Towers bas ("UFI"). This litigation involves the same facts and similar claims as the litigation Towers v. Solomon discussed in 3. Towers and its wholly-owned subsidiary Towers Diversified Corporation ("TDC") is involved in litigation

tion of UDC. Towers agreed to guarantee the settlement based upon the representations made by the seller of UDC tion. Towers has posted the requisite appeal bond. F.H. Prince & Company v. Towers Financial Corporation. 89L-15714 (Civ. Ct. of Cook County, IL). neys' fees and coun costs, which Towers is appealing based upon the above defenses and upon new facts that have come to light through discovery that show that Cadillac Insurance Company, a company formerly controlled by the seller, Ernest Solomon, which made representations to Towers, was insolvent in 1985 and 1986 prior to the acquisihe stated that such a defense would be valid if adequately pleaded and accordingly he granted Towers time to reaction has resulted in a judgment against Towers (which became final on May 8, 1991) of \$767,986.86, plus altorplead. The case was subsequently assigned to another judge who disallowed Towers' defense with prejudice. This Company case was originally assigned indicated that the above-stated defense of Towers was deficient as pleased, because F_iH . Prince & Company provided no valuable consideration. Although the judge to whom the F_iH . Prince & tion is that the Towers' guarantee is voidable because it was induced by the foregoing untrue representations and tion. Towers has asserted that the seller's representations made to Towers were untrue. Towers' defense in this litigawhich are the subject of the *Towers* v. *Solomon* litigation discussed above. In the Solomon litigation and in this litiga-United Fire Insurance Company, a whofly-owned subsidiary of UDC, which claim arose prior to Towers' acquisi-Towers is also involved in hitigation stemming from settlement of a claim of F.H. Prince & Company against

GLOSSARY

"Act" means the Securities Act of 1933, as amended.

Receivable of various first and third party companies and RTC and FDIC loans and receivables which meet Towers criteria for purchasing and which are acquired by Towers with the proceeds of this Offering. Towers reserves the right to acquire any and all types of Accounts Receivable without restriction. "Accounts Receivable" means Healthcare and Business Accounts Receivable, including consumer Accounts

ccivable. "Accounts Receivable Management" means the management of the recovery and collection of Accounts Re-

"Bank" means Chase Manhattan Bank, N.A.

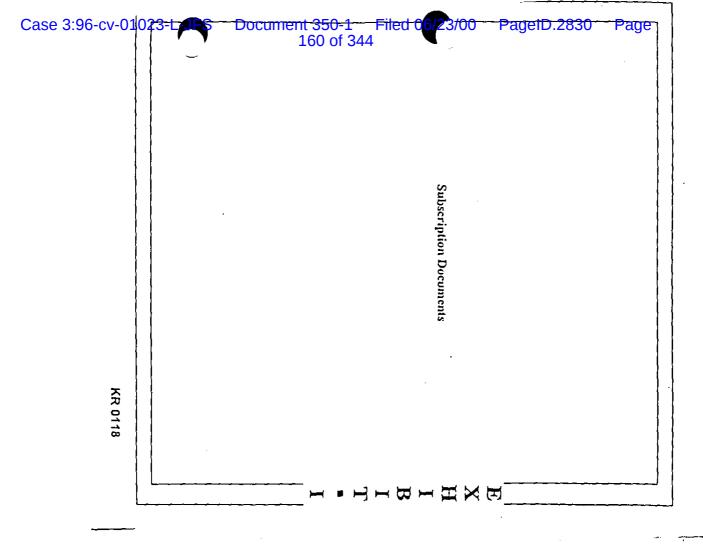
"Business Accounts Receivable" means accounts receivable of first or third party business companies

"Company" means Towers Financial Corporation, as the Issuer.

sory Notes plus (ii) all accrued and unpaid interest due on such Promissory Notes. Receivable plus (ii) the Funds on deposit in the Funding Account exceeds (b)(i) the face amount of all issued Promis-Excess Profits Amount" means an amount equal to the amount by which (a)(i) the face amount of the Accounts

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- "FDIC" mean the Federal Deposit Insurance Corporation.
- "Federal Securities Acr' means the Securities Act of 1933, as amended
- "Funding Accounts" means the interest-bearing accounts in which the Funds are deposited
- "Funds" means the monics received from Accredited Investors and the proceeds of the Accounts Receivable
- "Healthcare Accounts Receivable" means accounts receivable from groups in the health-care industry.
- tion center and other healthcare providers. "Healthcare Provider" means a hospital, doctor, medical group, health maintenance organization, rehabilita-
- counts Receivable from Healthcare Providers. "Healthcare Purchase Contract" means the agreement by which Towers acquires or finances Healthcare Ac-
- "Investor" means any holder of a Promissory Note who is an Accredited Investo
- "Notes" means the thirty-month Promissory Notes.
- "Offering" means this Private Confidential Offering Document
- "Offering Termination Date" shall mean the earlier of the date all of the Units have been sold or February 28,
- to this Offering "Promissory Note" means the thirty-month promissory note issued by Towers to Accredited Investors pursuant
- "RTC" means Resolution Trust Company
- "Security Agreement" means the agreement executed by Towers, the form of which is attached hereto as Exhib-
- "Subscription Agreement" means the subscription agreement attached hereto as Exhibit I(B)
- "Subscription Documents" means the Subscription Agreement, the Purchaser Questionnaire and the Investor's
- "TCC" means Towers Credit Corporation, a wholly-owned subsidiary of Towers.
- "ICS" means Towers Collection Service, Inc., a wholly-owned subsidiary of Towers
- "TLC" means Towers Leasing Corporation, a wholly-owned subsidiary of Towers.
- "Towers" means Towers Financial Corporation, a Delaware corporation which is publicly traded
- "Unit" means a Promissory Note for \$100,000



INSTRUCTIONS TO SUBSCRIBERS

Accompanying the Offering Document, you will find (i) the Subscription Agreement with signature page in duplicate and (ii) Investor Questionnaire which you must complete in accordance with the following instructions,

1. Investor Questionnaire.

Please read, complete and sign the Investor Questionnaire

- 2. Subscription Agreement.
- (a) Please read, complete the Subscription Agreement and sign two copies of the signature page; and (b) Have your signatures notarized by a notary public on the acknowledgment forms accompanying the signa-

DO NOT SIGN THE SUBSCRIPTION AGREEMENT UNLESS YOU ARE CERTAIN YOU CAN MAKE ALL THE REPRESENTATIONS CONTAINED IN THE AGREEMENT.

ture pages.

3. Purchaser Representative Questionnaire.

If you used the services of a "purchase; representative," the purchaser representative questionnaire must be completed and which is available upon request.

4. Payment.

The subscription price is to be paid by check in the amount of \$100,000 per Unit made payable to the order of "Thwers Financial Corporation, Funding Account."

5. Special Instructions for Trustees and Agents.

Trustees, agents or other persons acting in a representative capacity are required to furnish with the completed Subscription Agreement (i) a copy of the trust agreement, power of anomey or other instrument granting the power and authority to subscribe, or (ii) an opinion of counsel as to such power and authority. In addition, such persons must indicate on the completed Subscription Agreement the name of the person or entity for whom he is acting as trustee or agent.

6. Acceptance of Subscription.

Deliver completed Subscription Documents and payment for the Units to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016. If your subscription is accepted, you will receive shortly thereafter (a) one copy of the Subscription Agreement executed by an officer of the Company and (b) original Promissory Note executed by the Company in the amount subscribed.

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TOWERS FINANCIAL CORPORATION

CONFIDENTIAL:
INVESTOR QUESTIONNAIRE

Private Offering of \$150,000,000 of Recourse Promissory Motes of \$100,000 each For: Accredited Investors Only

The offering of secured recourse non-negotiable promissory notes (the "Promissory Notes") issued by Towers Financial Corporation, a Delaware corporation (the "Company"), as more fully described in the Offering Document, dated March 23, 1992, will be made to Accredited Investors only pursuant to Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act").

The purpose of this questionnaire is to assist the Company in complying with the above requirements. You agree that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the Offer and sale of Promissory Notes to you will not result in violation of the exemption from registration under the 1933 Act, described above, or any applicable state accurities laws; however, this document will otherwise be kept confidential by the Company.

If you are acting as agent for a corporation, partnership, trust or any other entity, any reference to the term "you" shall mean such corporation, partnership, trust or other entity.

If the answer to any question is "None" or "Not Applicable," please so state. Except as set forth herein, your answers to this questionnaire will, at all times, be kept strictly confidential

Please complete this questionnaire as fully as possible, and sign, date and deliver one copy thereof to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016.

PLEASE PRINT

Please provide the following information if you are investing as an individual. (If you are purchasing on behalf of a corporation, partnership, trust, or any other entity, please complete part II below). In addition, please provide the same information for any joint tenant or tenant in-common:

Name (1)		(2)	
Date of Birth (1)	(2)	Marital Status (1)	(2)
Permanent Home Address (1)	(C)	(2)	
		(Zip)	(Zip)
Home Telephone Number (1) ((1) (L)	(2) (
Social Securities No. (1)		(2)	
Ciúzenship (1)		(2)	

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If you are not acting for your own account, please complete the following: (i) Capacity in which you are acting (agent, trustee or otherwise): 2 KR 0122	(2) Are you acting for your own account? Yes() No()	Business Telephone Number (1) () (2) () Please describe your employment positions or occupations during the last five years (listing the inclusive dates of each) indicating any and all vocationally related experience in financial and business matters: Employment, Position Nature of Duites From: To:	Business Address (1) (2)	Position(s) (1) (2) General Dudes (1) (2)	Names of Employer (1) (2) Nature of Business (1) (2)	Advisor/Broker-Dealer/Registered Investment Adviser 1 2 (if joint purchaser)

II. PLEASE COMPLETE THE FOLLOWING IF YOU ARE INVESTING ON BEHALF OF A CORPORATION, PARTNERSHIP, TRUST OR OTHER ENTITY. NOTE: ANY INDIVIDUALS REPRESENTED BY YOU MUST BE QUALFIED AS "PURCHASERS" PURSUANT TO THE ACT AND SHOULD EACH COMPLETE A COPY OF THIS QUESTIONNAIRE. III. PLEASE ANSWER THE FOLLOWING QUESTIONS. 1. At this time, is your individual net worth (or joint net worth with your spouse) in excess of \$1,000,000? For Individuals only: Employer Identification No. _ State and Year of Organization Business Activities _ Name of corporation, partnership, trust, pension plan, or entity Authorized Person to Contact Business Telephone Number **Business Address** Fiscal year — 3 (iii) Please attach evidence of authority. Name, address and telephone number of persons you represent: (iide) (Zip)

 Did your individual adjusted gross income (increased by any deduction for long term capital gains or depletion, any exclusion for interest and any losses of a partnership as reported on Schedule E on Form 1040) from all

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Yes () No ()

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For Trusts Only:

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w two taxable years, do you reasonably expect your income from all sources for the current taxable year to exceed \$200,000 (or if jointly with spouse \$300,000)? If you have had income from all sources of \$200,000 (or if jointly with spouse \$300,000) for each of the past Yes() No() Yes() No()

sources for each of the two taxable years preceding this date exceed \$200,000 (or if jointly with spouse \$300,000)?

For Corporations, Charitable Organizations and Partnerships Only:

have total assets in excess of \$5,000,000? If you are a 501(c)(3) organization, corporation, Massachusetts or similar business trust, or partnership, do you

Yes() No()

excess of \$5,000,000? herein is directed by a sophisticated person as described in Section 230.506(b)(2)(ii) are your total assets in If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment

Yes() No()

For Banks, ERISA plans, SBICs, investment companies under the 1940 Act, etc.

Do you otherwise qualify as an accredited investor under the following definition:

Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or 3/21) of such Act, which is either a bunk, savings and loan association, insurance company, or registered invest-ment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, ment Income Security Act of 1974 if the investment decision is made by a plan fiductary, as defined in Section has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retireany agency or instrumentality of a state or its political subdivisions for the benefits of its employees if such plan ment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investdefined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or with investment decisions made solely by persons that are accredited investors. Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as

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For all Investors. Please complete the following questions and information requested

Are you aware that the proposed offering of thirty-month Promissory Notes may be redeemed upon 90 days written notice?

Yes () No ()

chaser is a corporation, partnership, trust or other entity. By the person completing this questionnaire on its be-Please indicate the general, business or professional education and the degrees received by you (or, if the pur-

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1		College
1 1		
ر م	lnva .	Investment Experience:
	•	(a) Frequency of investment in marketable securities: often (); occasionally (); seldom (); never ().
	€	(b) Frequency of investment in corunnodities futures: often (); occasionally (); seldom (); never ().
	<u> </u>	(c) Frequency of investment in options: often (); occasionally (); seldom (); never ().
	Ξ	(d) Frequency of investment in securities purchased on margin: often (); occasionally (); seldom (); never ().
	3	(e) Frequency of investment in Illiquid securities: often (); occasionally (); seldom (); never ().
10.		Indicate in the space provided below; any additional information which you think may be helpful in determin- ing that your knowledge and experience in financial and business matters its sufficient to enable you to evaluate the medic and risks of investing in the securities offered pursuant to the Offering Document of which this forms

IN WITNESS WHEREOF, I (we) have executed to	IN WITNESS WHEREOF, I (we) have executed this questionnaire this case of iv
rint Name of Joint Tenant or mant-in-Common, if applicable)	(Print Name)
repaire of Joint Tenant or	(Signature)
nant-in-Conunon, if applicable) (Title, if Applicable)	Place of Execution:

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I (we) acknowledge that the foregoing statements are true and accurate to the best of my (our) information and belief, and that I (we) will promptly notify the Company of any changes in the foregoing answers.

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, in the second	Docume I confirm that the at	NET WORTH	4 of 344	Other Assets:	Automobiles:	Market value of Market value of real estate Residence: Other:	Cash on hand: Cash value of life insurance policies: Market value of Misted securities:	Viser	Please also comple rent date which should i
:	I confirm that the above balance sheet is true, correct and accurate.	\$ \$						BAL	ite and execute the followin, include an original signatu
S)gnature	correct and accurate.	TOTAL LIABILITIES		Other Debts:	(include all amounts due to others, including credit cards, debts and other unsecured debts) Automobile Loans:	Encumbrances on Real Estate Residence: Other:	Магзіп Атоипі	RALANCE SHEET Llabilides	Please also complete and execute the following balance sheet or supply a substitute balance sheet as of a cur- rens date which should include an original signature of a duly authorized representative.
KR 0126									ute balance sheet as of a cur- tive.
	· ·								·····

Subscription Agreement

TOWERS FINANCIAL CORPORATION SUBSCRIPTION AGREEMENT

ĕ Towers Financial Corporation New York, New York 10016 417 Fifth Avenue

Dis Subscription Agreement shall have the same meaning as those terms have in the Offering Document.

O 2. Purchase Price.

O The purchase price for each Promissory Note (the "Subscription Price") is \$100,000 (subject to reduction). O1992 (the "Offering Document"), and I agree to pay for the Promissory Notes subscribed for by me in the manner

"which is described in Article "2" of this Subscription Agreement. Each of the capitalized terms which are used in (Ω°11" of this Subscription Agreement (the "Promissory Notes") Issued by TOWERS FINANCIAL CORPORA(Ω°11" of this Subscription Agreement (the "Promissory Notes") Issued by TOWERS FINANCIAL CORPORA(Ω°11" of this Subscription Agreement (the "Promissory Notes") Issued by TOWERS FINANCIAL CORPORAbereby subscribe to purchase the secured recourse non-negotiable promissory note which is set forth in Article

C sole discretion of the Company). I am here with tendering payment for the subscribed Promissory Notes by regular, sory Note (or such fraction thereof that is permitted by the Company). bank or certified check payable to "Towers Financial Corporation, Funding Account" equal to \$100,000 per Promis-The purchase price for each Promissory Now (the "Subscription Price") is \$100,000 (subject to reduction at the

Oreceipt of such funds I will forthwith return the Offering Document and all other subscription documents to the Company. In the sole and absolute discretion of the Company, less than the full amount subscribed for by me may be funds paid by me will be returned promptly to me without interest and without deduction of excrow costs. Upon l understand that the offering will terminate on or before February 28, 1993. If my subscription is not accepted

Caccepted, whereupon the excess funds tendered by me will be promptly returned.

Lisunderstood that this subscription is not binding unless and until it is accepted by the Company. I also under:
Listand and agree that my subscription to purchase Promissory Notes shall not be deemed binding upon the Company uptil the funds paid by me here with are submitted to the Company, clear and are credited to the Funding Account.

Α, Representations and Warranties of the Undersigned.

Liddle, or to my advisors, by the Company, or by any person acting on behalf of the Company, with respect to the sale Coffile Promissory Notes and/or the investment made thereby, and that I have not relied upon any information conductining the offering, written or oral, other than that contained in the Offering Document.

I further acknowledge that I have received, completed and returned to the Company, the Purchaser Questionnaire relating to my general ability to bear the risks of the investment being made hereby and my suitability as an Ohivestor, and I hereby affirm the correctness of my answers in such questionnaire.

Ohivestor, and I hereby affirm the correctness of my answers in such questionnaire. 1 (1)
1 Jacknowledge that I have received, read, understand, and am familiar with the Offering Document, including Oalffaliachments and exhibits thereto and the 1991 Annual Report of the Company. I further acknowledge that except Coalfaliachment and the Offering Document and the 1991 Annual Report, no representations or warranties have been made to the Oalfalia Coalfalia (1).

the Offering Document; (ii) have adequate means of providing for my current needs and possible personal conworth presently of at least an amount indicated by me in Part III of my Investor Questionnaire delivered simul langencies, and have no present need for liquidity of my investment in the Promissory Notes; (iii) have a net sufficient liquid assets to pay the full purchase price for each Promissory Note in the manner contemplated by (a) I can bear the economic risk of this investment and can afford a complete loss thereof; and I (i) have

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gaid under the 1933 Act as follows: aneously herewith; هما (أنه) qualify as an "Accredited Investor" as defined in Regulation D which was promul-

- Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution persons that are accredited investors: total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely the benefits of its employees if such plan has total assets in excess of \$5,000,000; any employee benefit Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section ker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance comas defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broloan association, insurance company, or registered investment adviser, or if the employee benefit plan has sion is made by a plan fiductary, as defined in Section 3(21) of such Act, which is either a bank, savings and plan within the meaning of the Employee Retirement Income Security Act of 1974 If the investment decistate, its political subdivisions, or any agency or instrumentality of a state or its political aubdivisions for 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a pany as defined in Section 2(13) of the Act; any investment company registered under the Investment
- 5 Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- 9 Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachu ties offered, with total assets in excess of \$5,000,000; setts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securi-
- E Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- S Any natural person whose individual net worth, or joint net worth with that person's spouse at the time of his purchase exceeds \$1,000,000;
- 9 Any natural person who had an individual income in excess of \$200,000 in each of the two most recent reasonable expectation of reaching the same income level in the current year; years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a
- 3 Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the 230.506(b)(2)(ii); and securities offered, whose purchase is directed by a sophisticated person as described in Section
- 9 Any entity in which all of the equity owners are accredited investors
- make an informed investment decision with respect thereto. matters to evaluate the information set forth in the Offering Document, and the risks of the investment, and to found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial resentation has included an examination of applicable documents and an analysis of all tax, financial, recordselected by me, as I found necessary to consult concerning the purchase of the Promissory Notes, and such rep ing, and securities law aspects thereof. I, my counsel, my advisors, and such other persons with whom I have (b) I have been represented by such legal and tax counsel and others, each of whom has been personally
- sonal tax advisors, and upon my own knowledge with respect thereto. (c) With respect to the tax aspects of my investment. I am relying solely upon the advice of my own per
- offering, and (ii) necessary to verify the accuracy of any information nancial statements, records and books (i) relating to the Company, the purchase of the Promissory Notes and the sentitives, concerning the terms and conditions of the offering and access to any information, documents, fihereof. I have had the opportunity to ask questions of, and to receive answers from, the Company, and its repre-(d) Any and all information has been made available to me, my counsel and my advisors, prior to the date furnished to aic. All materials and

formation requested by either me, my counsel, my advisors or others representing me, including any informa-tion requested to verify any information furnished, have been made available and examined.

- 1933 Act and, therefore, the Promissory Notes cannot be offered or sold unless the offering is subsequently registered under the 1933 Act or an exemption from such registration is available. promulgated thereunder and the laws of such jurisdictions. I am fully aware that the Promissory Notes subscribed for by me are to be sold to me in reliance upon such exemptions based upon my representations, warran-"1933 Act"), nor pusuant to the provisions of the securities or other laws of any other applicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) of the 1933 Act. Regulation D my investment berein for an indefinite period of time because the offering has not been registered under the Fromissory Notes, as more fully set forth in the Offering Document, and that I must bear the economic risk of ies and agreements. I am fully aware of the restrictions on sale, transferability and assignment of the (e) Lunderstand that the offering has not been registered under the Securities Act of 1933, as amended (the
- (f) My execution and delivery of this Subscription Agreement have been duly authorized by all necessary action. I will not piedge, transfer or assign this Subscription Agreement or the Promissory Notes which I acquire pursuant to this offering without complying with the procedures set forth in the Offering Document, I am part. I have no present plans to enter into any such contract undertaking, agreement or arrangement. poses only and not with a view to or for the transfer, assignment, resale or distribution thereof, in whole or in making the investment hereunder for my own account and not for the account of others and for investment pur-
- me with respect to the purchase of a Promissory Note, and that this Subscription Agreement shall survive my death or disability, except as pursuant to the laws of the applicable jurisdiction. (g) I agree that I shall not cancel, terminate or revoke this Agreement or any other agreement executed by
- degree of risk and that there is no guarantee that I will realize any gain from my investment. (b) I am aware that the purchase of a Promissory Note is a speculative investment involving a significant
- ing a resident of any other state or jurisdiction prior to my purchase of the Promissory Note. (i) The address set forth below is my true and correct residence, and I have no present intention of becom-
- Promissory Note subscribed for herein. Each such representation and warranty shall survive such purchase. (j) I understand the meaning and legal consequences of the foregoing representations and warrantes, which are true and correct as of the date hereof and will be true and correct as of the date of my purchase of the

Indemnification.

I hereby agree to indemnify and hold harmless the Company, Counsel, and their Affiliated persons from any and all damages, losses, costs and expenses (including attorneys' fees and disbursements) which they, or any of them, may incur by reason of my failure, or alleged failure, to fulfill any of the terms and conditions of this subscription. tion or by reason of my breach of any of my representations and warranties contained herein. Blue Sky Representations.

- which appears in Anicle "10" of this Subscription Agreement. (a) Residents of any State. I have read the jurisdictional notice applicable to the State of my residence
- mailed. I also understand that should I make this request orally (either in person or by telephone). I must request of the aforementioned third business day. I have also been informed that it is prudent to send such letter by ment or payment for the Promissory Notes has been made, whichever is later. Withdrawal will be without any further liability to me. To accomplish this I need only send a letter or tale grain to the Company, indicating my certified mail, return receipt requested, to ensure that it was received and also to evidence the time when it was monies paid by me to the Company within three business days after the execution of this Subscription Agree-517.061(11)(a)(5) of the Florida Securities Act, to withdraw my subscription and receive a full refund of all written confirmation that such request by me has been received. intention to withdraw. I acknowledge that such letter or telegram should be sent or postmarked prior to the end (b) Residents of Florida. I hereby acknowledge that I have the right, pursuant to Section

acknowledge that I have received the Offering Document and am aware of the following:

- (i) The intended use of the proceeds of this Offering:
- (ii) The current financial condition of the Company;
- (iii) The direct or indirect compensation which has been or will be received by the Company and its Affili-
- \$100,000 per Promissory Note; and (iv) The securities being offered hereunder are Promissory Notes and the purchase price therefore is
- Account and the purchase and collection of the Accounts Receivable. (v) I or my representative may inspect the books and records of the Company which relate to the Funding
- months from the date of purchase. has been received. I agree not to sell or transfer any of the Promissory Notes for a period of at least twelve to ensure that it is received and also to evidence the time when it was mailed. Should I make this request orally, business day. If I send a letter, lunderstand that it is prodent to send it by certified mail, return receipt requested, to withdraw. Such letter or telegram must be sent or postmarked prior to the end of the aforementioned second To accomplish this withdrawal, I need only to send a letter or telegram to the Company, indicating my intention of the signature pages of the Agreement. Such withdrawal shall be without any further liability to any person. sylvania resident may elect, within two business days of the date of execution, to withdraw from this Subscription Agreement and to receive a full refund of all funds paid on account of this subscription together with copies in person or by telephone to the Company, I understand that I must ask for written confirmation that my request (d) Residents of Penasylvania. Pursuant to the Pennsylvania Securities Act, Section 207(m), each Penn
- which is exempt under the Texas Securities Act or pursuant to an effective Registration Statement under the Texas Securities Act. (c) Residents of Texas. Lagree that I will not sell or transfer my Promissory Notes except in a transaction
- 7. Acceptance by the Company.

asions contained in the Offering Document. It may be accepted, in whole or in part, by the Company executing this Ogreement, and mailing a duplicate copy to the undersigned. The Company reserves the right in its sole discretion to Neject this subscription in whole or in part. Except as set forth herein, this Subscription Agreement is irrevocable. It is subject to all of the terms and provi-

8. General Provisions.

except in writing, and is subject to alt of the terms and provisions contained in the Offering Document laws of the State of New York applicable to contracts fully to be performed therein, may not be modified or waived pressly agree that all of the terms and provisions hereof shall be construed in accordance with, and governed by the Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties ex-

- or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned at the address which is set forth below and to the Company at 417 Fifth Avenue, New York, New York 10016. (a) All notices or other communications given or made hereunder shall be in writing and shall be delivered
- matter hereof and may be amended only by a writing executed by all parties (b) This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject
- to this Agreement in the absence of gross negligence, misfeasance, malfeasance or traud (c) The Company, counsel, and their respective Affiliates shall not be liable for taking any action pursuant

Jurisdictional Notices and Representations

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maintain a list, which will be available upon request, of those states in which offers and sales of Promissory Notes can be made. mean that the Promissory Notes have been cleared or are otherwise available for sale in that state. The Company will It should be noted that the inclusion of a notice under state securities laws below should not be construed to

WITH THE ISSUER THAT EITHER THE SECURITIES HAVE DEEN REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION. DESITTE THE INCLUSION OF THE LEGENDS BELOW, BROKER-DEALERS MUST CONFIRM

THE DEFINITION SET FORTH AT 4(a) OF THIS SUBSCRIPTION AGREEMENT. THEREFORE, IT IS INPERATIVE THAT BROKER-DEALERS VERIFY THAT POTENTIAL INVESTORS QUALIFY AS "ACCREDITED INVESTORS" IN SUCH STATE IN ADDITION, SOME STATES' DEFINITION OF "ACCREDITED INVESTOR" DIFFERS FROM

ING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION.
THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE OF EXEMPTION UNDER THE ALADAMA SECURITIES ACT. A REGISTRATION STATEMENT RELAT FOR ALABAMA RESIDENTS ONLY. THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM

ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF 3 AAC 08.500-3 AAC 08.500. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THE OFFERING DOCUMENT SINCE THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR SINCE THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR OF THE OFFERING DOCUMENT IS NOT REQUIRED TO THE OFFER DOCUMENT IS NOT THE OFFER DOCUMENT IS NOT THE OFFER DOCUMENT IS NOT THE OFFER DOCUMENT IS NO RESENTATION TO THE CONTRARY IS A VIOLATION OF AS 45.55.170 IN ANY WAY UPON THE MERITS, RECOMMENDED OR APPROVED THE SECURITIES. ANY REP TRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED FOR ALASKA RESIDENTS ONLY. THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE

AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES. TITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING. INCLUDING THE MERITS THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR EN-

MISSION ITAS PASSED UPON THE MERITS OF OR OTHERWISE APPROVED THE SECURITIES UMENT IS TRUE OR ACCURATE, NOR DOES SUCH GRANT OR EXEMPTION MEAN THAT THE COM-DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION THAT THE OFFERING DOC-TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE FOR ARIZONA RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT

CURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE OFFERING DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SE ARKANS AS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION OF EXEMPTION UNDER SECTION 23-42-504(a)(14) OF THE ARKANSAS SECURITIES ACT AND RULE REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT DEEN FILED WITH THE 306 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. A FOR ARKANSAS RESIDENTS ONLY. THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM

THE SECURITIES ACTIOF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REA. *FOR CALIFORNIA RESIDENTS ONLY*. THIESE SECURITIES HAVE NOT BEEN REGISTERED UNDER

Case 3:96-cv-01023-L-JFS Document 350-1 Filed 06

PageID.2838 **Page** DER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR CONNECTICUT RESIDENTS ONLY. THE SECURITIES REFERRED TO IN THE OFFERING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT, AND, THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UN-TISE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981, IF SUCII REGISTRATION REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF FOR COLORADO RESIDERTS ORLY THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY

OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION

OFFERING. THESE SECURITIES CANNOT BE SOLD, THANSFERRED OR OTHERWISE DISPOSED OF SON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE

TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT

TIES ACT (RULE 3E500.005(5)(a)(12)). OCCURS LATER. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURI-FOR FLORIDA RESIDENTS ONLY: FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES RE MADE TO FIVE OR MORE PERSONS PURSUANT TO SECTION 517.061(11)(a)(5) OF THE FLORIDA CURTIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE BY THE PURCHASER EIGER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER EIGER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHER WITHIN THE PURCHER HE AVAILADILITY OF THAT PRIVILEGE IS COMMUNICAITED TO THE PURCHASER, WHICHEVER HASER TO THE COMPANY OR ANY AGENT OF THE COMPANY OR WITHIN THREE DAYS AFTER

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CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED MARCH 23, 1992, PROVIDES THAT TOWERS IS PERMANENTLY ENJOINED FROM VIOLATING THE SECURITIES LAWS AND THAT TOWERS IS SUBJECT TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF GEORGIA. THE CONSENT DECREE CONSTITUTES AN AU-TOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMBISSION HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO WILL GEORGIA OFFEREES. FOR GEORGIA RESIDENTS ONLY. OFFEREES ARE HEREBY ADVISED THAT THE CONSENT DE-E ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE

THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE IDAHO SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS FOR IDAHO RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE

FOR ILLINOIS RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR DEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A MINAL OFFENSE

QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLI-TIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR FOR INDIANA RESIDENTS ONLY. THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OPTHE INDIANA CODE. THE SECURI-CABLE EXEMPTIONS THEREFROM

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FOR LOUISIANA RESIDENTS ONLY. THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER BY OF ANY OF THESE SECURITIES ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE

MAINE RESIDENTS: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OR THE STATE OF MAINE UNDER SECTION 10502(2) (R) OF TITLE 32 OF THE MAINE REVISED STATUTES. THESE SECURITIES MAY BE DEEMED RESTRICTED SECURITIES AND AS SUCH THE HOLDER MAY NOT DE ABLE TO RESELL LAWS OR UNLESS AN EXEMPTION UNDER SUCILLAWS EXISTS THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES

THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARY LAND SECURITHES ACT, IF SUCH REGISTRATION IS REQUIRED FOR MARYLAND RESIDENTS ONLY. THISSE SECURITIES HAVE NOT BEEN REGISTERED UNDER

FOR MICHICAN RESIDENTS ONLY. THESE SECURTHES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRA-TION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$50,000.

HAVE NOT DEEN REGISTERED UNDER CHAITER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT DE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REG-ISTRATION, OR AN EXEMPTION THEREFROM. FOR MINNESOTA RESIDENTS ONLY. THESE SECURITIES REPRESENTED BY THIS OFFERING

REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CON-FIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MEDITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT DEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. FOR MISSISSIPPI RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST

THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AND MAY GENERALLY NOT BE TRANSFEKRED OR RESOLD FOR A FERIOD OF ONE (1) YEAR. IN-VESTORS SHOULD BE AWARE THAT THEY WILL BEREQUIRED TO BEAR THE FINANCIAL RISKS OF THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE

REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CON-THRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY TIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR RELY ON THEIR OWN EXAMINATION OF THE NEXTS AND RISKS INVOLVED. THESE SECURTIES AND KEPKESENTATION TO THE CONTRAKY IS A CRIMINAL OFFENSE FOR MISSOURI RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST

VESTORS SHOULD BE AWAKE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AND MAY GENERALLY NOT DE TRANSFIERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. IN-THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE

APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN

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REGULATION THAT ANY DOCUMENT FILED UNDER RSA +21 - D IS TRUE, COMPLETE AND NOT MIS-LEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OR SECURITIES REGULATION HAS PASSED IN ANY WAY UNON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION, IT GRAPH. IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOM-ER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARA-OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE

AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. FOR NEW JERSEY RESIDENTS ONLY. THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW

FORMEWMEXICORESIDENTS ONLY. THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO. ACCORDINGLY, THE NEW MEXICO SECURITIES DUREAU HAS NOT REVIEWED OFFERING DOCUMENT. CURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE ING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SE-THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFER-

FOR NORTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFICERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINED THE ADEQUACY OF THIS ESCURITIES ARE SUBJECT TO OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK

FOR PENNSYLVANIA RESIDENTS ONLY. PURSUANT TO SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT OF 1972. EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE, WITHOUT INCURRING ANY LIABILITY TO THE COMPANY, ITS AFFILIATES OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS REQUEST HAS DEEN RECEIVED. THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST ORALLY, HE MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED COMPANY SET FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. MENT). TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELE-GRAM INDICATING HIS INTENTION TO WITHDRAW TO THE COMPANY AT THE ADDRESS OF THE DY THE COMPANY OF HIS WRITTEN BINDING CONTRACT OF PURCHASE (SUBSCRIPTION AGREE-

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Titan Value Equities 17852 Seventeenth Street

Solana Beach, CA 92075

U.S. Securities, Inc. 15 Lewis Street, Suite 212 Hartford, CT 06103

Toluca Pacific Securities Corp. 3500 West Olive, Suite 1190 Toluca Lake, CA 91505

U.S. Securities Corporation 11911 Freedom Drive Suite 500 Reston, VA 22090

27 Ridge Road
P.O. Box 661 - 27 Ridge Road

4 Underwood Associates
4 Underwood Associates
27 Ridge Road
5 O Barrington, IL 60011
7 Vautrain Nelson LeFevre,
Endsley & Durham, Inc.
8851 Hwy. 80W, #110
Ft. Worth, TX 76116
Waldron & Company, Inc.
1050 Northgate Drive

1050 Northgate Drive San Rafael, CA 94903

8 Woody Lane Larchmont, NY 10538 Walter Lowman

140 Marine View Drive Suite: 110 Tustin, CA 92680 Suite 102 forrey Pines Securities, Inc.

Vautrain Nelson LeFevre,
Endsley & Durham, Inc.
6300 Ridglea Place, Suite 500
Ft. Worth, TX 76116 U.S. Securities International, 120 Broadway, 27th Floor New York, NY 10271 Corporation

P.O. Box 46902 St. Louis, MO 63146 Walnut Street Securities Inc. 1801 Park 270 Drive - Suite 220 Vestcorp Securities, Inc. 17701 Mitchell North Irvine, CA 92714

134 North Wood Blvd. Columbus, OH 43235 Warwick Securities, Inc.

> Los Angeles, CA 90017 1000 Wilshire Boulevard Wedbrush Morgan Securities, Inc.

Dallas, TX 75231 West Coast Securities 10670 N. Central, Suite 200

Tierra Capital/
Value Equity Group
One McKay Place

S. Hampton, Bermuda Seymour Hall, #1 Seymour Farm Road The Wraxall Group

P.O. Box 1816 Roswell, NM 88202-1816

Yeager Securities, Inc. 16633 Ventura Blvd, Suite 1220 Encino, CA 91436

West Coast Capital 123 Vientos Road Camarillo, CA 93010 Brightwaters, NY 11718 P.O. Box 0330 Yankee Financial Group,

Inc.

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SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, SION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SECURITIES HAVE NOT DEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMIS-MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURI AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE

CHASED HEREIN UNTIL AT LEAST ONE (1) YEAR FROM THE DATE OF PURCHASE.

FOR SOUTH CAROLINA RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS

VANIA HEREBY AGREE THAT THEY WILL NOT SELL, TRANSFER OR SUBDIVIDE THE UNITS PUR-

IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNS YL

NANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FI FOR SOUTH DAKOTA RESIDENTS ONLY. THESE SECURITIES ARE OFFERED FOR SALE IN THE

STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47-31A, WITH THE DIRECTOR OF THE DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING IS TRUE, "APLETE, AND NOT MISLEADING; NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES SEED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SE HITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

O WILL INVEST NOT LESS TO WILL INVEST NOT LESS TO WILL INVEST NOT LESS TO OF THEIR WORTH.

O OF THEIR NET WORTH.

O FOR TENNESSEE. A.

TO PORTO MINIMUM NUITAR SOUTH DAKOTA RESIDENTS HEREBY REPRESENT THAT (I) THEY HAVE A NET WORTH OF AT LEAST \$1,000,000 (EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES); (II) THEY WILL INVEST NOT LESS THAN \$1,000,000; AND (III) THEIR INVESTMENT DOES NOT EXCEED 10%

FOR TENNESSEE RESIDENTS ONLY. THESE SECURITIES HAVE BEEN REGISTERED WITH THE STATE OF TENNESSEE, AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE HAS IMBOSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS. PURSUANT TO THOSE
ANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT WESTMENT MUST NOT EXCEED TEN PERCENT (10%) OF HIS NET WORTH. IDAVE A GROSS INCOME OF 565,000.00 DURING THE CURRENT TAX YEAR, OR ALTERNATIVELY A NET WORTH OF AT LAST \$500,000.00 EXCLUSIVE OF HOME. HOME FURNISHINGS AND AUTOMOBILES. ADDITIONALLY, UNDER THIS SUITABILITY STANDARD, EACH NATURAL PERSON'S IN-AGAST \$230,000,00 EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES, AND MUST HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR AND BE EXPECTED TO

MORE RESTRICTIVE THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DEFINED IN SECTION 501 (a) (1) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE OFFERING DOCUMENT AT "TERMS OF INVESTMENT." THE ACCREDITED INVESTOR STANDARD IS GENERALLY CREDITED INVESTORS. (AND THE MINIMUM SUITABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO AC-

REGISTRATION IS AVAILABLE. LABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANS-TERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM FOR TEXAS RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER AP

UTAH UNIFORM SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UN FOR UTAH RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE

KR 0136

LESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAIL.

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THE OFFERING DOCUMENT OR UPON THE MERITS OF THIS OFFERING. ING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY

ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERABILITY AND RESALE SALE AND MAY NOT BE TRANSFERABILITY AND RESALE SALE AS AMENOED, FERRIED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITES ACTION 1933, AS AMENOED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION NANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FI CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. SION OR REGULATORY AUTHORITY, FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMIS-TIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURI-FOR WASHINGTON RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS

- 11. Information Relating to My Investment.
- E Amount of Promissory Notes and amount of payment tendered herewith (at a price of \$100,000 per Promissory Note)
- Additional Documents Required:

ਭ

- (i) Investor Questionnaire; and
- (ii) Community Property Designation (if applicable) from Page ___ of this Subscription Agreement

5

TO BE COMPLETED BY ALL SUBSCRIBERS:

(INDIAIDINT)

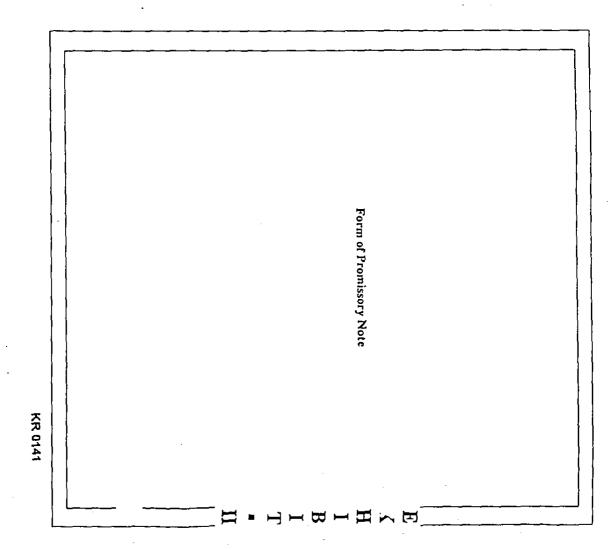
Residence Address to which information regarding this subscription should be mailed:

Notary Public

7

Case 3:96-cv-01023-L-J	Document 350-1 173 of 3	L	Filed	06/	23/0 0	Pa	ıge	ID.28	343		Page
	173 01 .	344				The undersigned elects to u consulted with independent cou Promissory Notes.		 The Promissory Notes are I Property Election, and the 	Type or Print Name of Husband	SIGNATURE OF HUSDAND	A. The Promissory Notes are large.
. KR 0140	Type or Print Name of Subscriber's Spouse	SIGNATURE OF SUBSCRIBER'S SPOUSE	SEPARATE PROPERTY ACKNOWLEDGEMENT I hereby acknowledge that my spouse is making this investment with (his) (her) separate property and funds.	Type or Print Name of Subscriber	SIGNATURE OF SUBSCRIBER	The undersigned elects to treat this Investment as (his) (her) separate property. In making this decision, I have consulted with independent counsel to determine that I have used my separate property or funds to purchase the Promissory Notes.	SEPARATE PROPERTY ELECTION	The Promissory Noies are being purchased as Separate Property (the Subscriber alone must sign the Separate Property Election, and the subscriber's spouse must sign the Separate Property Acknowledgement below).	Type or Print Name of Wife	SIGNATURE OF WIFE	The Promissory Notes are being purchased as Community Property in one or both names (both spouses must sign).

If a subscriber is an individual who is legally domiciled or resident of the State of Arizona, California, Idaho, Louisiana, Nevach, New Mexico, Texas or Washington, the following designation must also be completed: COMMUNITY PROPERTY DESIGNATION



Document 350-1 Case 3:96-cv-01023-L Filed 06 City, State and Zip Code

For value received, TOWERS FINANCIAL CORPORATION, a Delaware corporation (the "Maker"), prom-NON-NEGOTIABLE FULL RECOURSE PROMISSORY NOTE MIARCH 23, 1992 PRIVATE OFFERING DOCUMENT TOWERS FINANCIAL CORPORATION

Page

interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from the date of successors and assigns, the principal sum which is indicated at the end of this Note, adjustable monthly, together with this Note (the date of this Note is set forth at the end of this Note) through and including the date of final payment ises to pay to the order of the person whose name and address are set forth at the end of this Note (the "Payee"), its

Principal herrunder shall be due and payable in full on the date which is indicated at the end of this Note (the "Maturity Date"); provided that this Note will be redeemable upon 90 days written notice by Payee to Maker.

Payment of principal and interest under this Note shall be made in lawful money of the United States of Amerita to can to the Payee at the address which is set forth at the end of this Note or at such other location as shall be notified to the maker by the Payee. Interest shall be calculated on the basis of a year of 365 days for the actual number of days elapsed and shall be payable monthly commencing with the interest payment which is due 30 days from the date of this Note.

Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is provided for herein the rate of interest which is permitted pursuant to applicable law. If the contrary which is provided for herein the rate of interest which is permitted pursuant to applicable law. If the contrary which is provided for herein the rate of interest which is permitted pursuant to applicable law. If the contrary which is provided for herein the rate of interest which is provided for the payer. hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to applicable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal rate of interest, the Maker shall be required to pay only the maximum legal rate of interest.

which are provided for herein. this reference to the Security Agreement nor any provision the reof shall affect or impair the obligations of the Maker Agreement") which was executed by the Maker in favor of the Payee and other similarly situated payees. Neither bject to all of the terms, conditions, obligations and provisions which are set forth in the Offering Document, This Note has been issued pursuant to the Offering Document thated March 23, 1992 of the Maker, and this Note The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the "Securi-

Note shall be brought in a court of competent jurisdiction located in the State and County of New York. with, the laws of the State of New York. Any provision hereof which may prove unenforceable under any law shall not affect the validity of any other provision hereof. The Payce agrees that any action or proceeding to enforce this This Note is made and delivered in the State of New York and shall be governed by, and construed in accordance

against whom enforcement or any waiver, change, modification or discharge is sought This Note may not be changed or terminated orally, but only by an agreement in writing and signed by the party

O	urd this Note as of the day of 17
Sale of Note: 19	TOWERS FINANCIAL CORPORATION BY:
PAYEE:	Mischell Braier, Vice Chairman and Chief Operating Officer
	Principal Amount of Note: 5
Print Name(s)	Maiurity Date:
· dress	Rate of Interest: 3.5% per annum over the prime rate of interest of Chase Manhattan Bank, N.A. as in effect at the time of issuance, and adjustable on the first day of each month thereafter.

This Promissory Note has not been registered under the Securities Act of 1933, as smeaded, and may not be sold or otherwise transferred in the absence of such registration or as exemption abstraction under such Act or state exemptical laws. Furthermore, this Promissory Note may be sold or otherwise transferred only is complisated with the conditions specified in the Officials December of Makes, a complete and control copy of which is available for impection, at the principal office of Makes and will be furnished without charge to the holder of that Promissory Note upon written request. KR 0142

Form of Security Agreement
 E = HIBHH, E

XR 0143

SECURITY AGREEMENT

after referred to as to the "Secured Parties"). inalier referred to as the "Debtor") and each of the persons set forth on Exhibit "A" which is annexed hereto (herein-AGREEMENT made this day of 1992 by and among TOWERS FINANCIAL CORPORATION, a Delaware corporation having its principal place of business at 417 Fifth Avenue, New York, New York 10016 (bere-AGREEMENT made this day of

Page

of the Offering Document, the proceeds of the Offering of the Promissory Notes are to be placed in the Funding transaction, the Debtor has agreed to grant the Secured Parties a security interest in the Funding Accounts, the Acpursuant to their respective terms. counts Receivable and any proceeds therefrom in whatever form as security for repayment of the Promissory Notes counts Receivable, as defined in the Offering Document. In order to induce the Secured Parties to enter into this Account(s), as defined in the Offering Document, and utilized for the purpose of purchasing and/or financing Ac-Notes") to each of the Secured Parties in the amounts set forth in such Promissory Notes. Pursuant to the provisions Document"), has issued its recourse non-negotiable Promissory Notes (hereinafter referred to as the "Promissory The Debtor, pursuant to its offering document, dated March 23, 1992, (hereinafter referred to as the "Offering

Each of the capitalized terms which is used herein shall have the same meaning which is set forth in the section of the Offering Document which is entitled "Glossay" unless the context of this Security Agreement requires other-

3. Security Interest

Filed 06/23/00

ceeds which are derived by the Debtor from the collection or the attempted collection of any of the items referred to in "(i)" or "(ii)" and (iv) the Funding Account(s), exclusive of the Excess Profits Amount, as defined in the Offering in "(i)" or "(ii)" and (iv) the Funding Account(s), exclusive of the Excess Profits Amount, as defined in the Offering To secure the payment when due of principal and interest under the Promissory Notes and the payment and performance by the Debtor of all obligations and liabilities of the Debtor to the Secured Parties pursuant to the From-Speciment (hereinafter referred to collectively as the "Collateral"). ments thereto. (it) all other contracts calling for the purchase or financing of the Accounts Receivable, (iii) all pro-Secured Party, a security interest in and to (i) the Accounts Receivable and all additions, replacements and attachissory Notes, the Debtor shall and hereby does, on and as of the date hereof, gram, convey, assign and transfer to

- 4.1 Event of Default. The term "Event of Default" as used herein, shall mean the occurrence and continuation of any one or more of the following events:
- are due and payable pursuant to any of the Promissory Notes, which failure continues for a period of thirty (30) days after the applicable Secured Party gives the Debtor written notice of such default; (a) The failure of the Debtor to promptly pay when due any of the amounts of interest or principal which

Document 350-1

- duc: or (b) If the Debtor shall admit in writing its inability to pay, or fail to pay, its debts generally as they become
- dian shall assume custody or control of the Debtor's property without the consent of the Debtor. (c) II, under the provisions of any law for the relief of debtors, any court of competent jurisdiction or custo
- and the applicable Secured Parry shall have the rights which are set forth in Section 7 of this Security Agree 4.2 Upon the happening of an Event of Default, the Promissory Notes shall become immediately due and pay-
- KR 0144

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and if the Debtor shall receive or become entitled to receive any rights, distributions or payments of any kind or 5.1 If a Secured Party shall have required the Debtor to deliver to such Secured Party any or all of the Collateral

5. Obligations of the Debtor

PageID.2845

- the endorsement of the Debtor when necessary, to be held by the Secured Party as Collateral hereunder, Party, to hold same in trust for the Secured Party, and to deliver same to the Secured Party in the form received, with description with respect to or on account of such Collateral, the Debtor agrees to accept same as agent for the Secured
- Secured Parties pursuant to the terms of this Agreement and the Frontissory Notes, the Debtor agrees that it will: 5.2 Until the Secured Parties are paid in full for the principal and interest of all indebtedness which is due to the
- (a) take whatever actions are necessary to comply with all statutes and regulations governing its activities
- (b) promptly notify the Secured Parties of an Event of Default which is discovered by Debto
- cerning any part of the Collateral, which is "accounts" as that term is defined in the Uniform Connected Code, is at the address of the Debtor which is shown at the beginning of this Agreement, which office is the principal place of business and the location of the chief executive officer of the Debtor 6.1 The only office where the Debtor keeps, or will at any time prior to final release hereof, keep records con-
- warrants to the Secured Parties that: 6.2 To induce the Secured Parties to enter into the transactions provided for berein, the Debtor represents and
- ever additional documents are necessary or required in connection with the transactions which are contenperformall of its obligations under this Agreement, including the execution, delivery and performance of what-(a) The Debtor is duly authorized to execute and deliver this Agreement and the Promissory Notes and to
- mance by the Debtor of its obligations under this Agreement and the Promissory Notes do not and will not conflict with any provision of law, or of the charter or by-laws, or of any other agreement affecting or binding upon (b) The execution and delivery by the Debtor of this Agreement and the Promissory Notes and the perfor-
- principles of equity; and creditors' rights and except to the extent that the availability of specific performance thereof may be limited by except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of Agreement, will be valid and binding upon the Debtor enforceable in accordance with their respective terms. (c) This Agreement and the Promissory Notes, when duly executed and delivered in accordance with this
- (d) The Debtor is a duly organized and validly existing corporation in good standing under the Delaware
- 7. Rights and Obligations of Secured Parties With Respect to the Collateral
- of the Collineral (determined according to the then present value thereof) which bears the same ratio to the total ensisted to exercise his remedies hereunder and under the Uniform Commercial Code only in respect of that portion Collateral as that portion of the indebtedness with respect to any Promissory Note held by such Secured Party. 7.1 The Secured Parties hereby severally agree that, upon an Event of Default, each Secured Party shall be
- Secured Parties from or on account of the Collateral shall be applied by the Secured Parties in the manner set forth in Section 9-304 of the Uniform Commercial Code in effect at the time of such sale or other disposition of the Collater-7.2 The proceeds of any sale or other disposition of the Collateral and all sums received or collected by the
- respect to the Collateral. ferre shall automatically become vested with all rights, powers and remedies hereunder of such Secured Party with Document and the Securities Act of 1933, as amended, and state securities laws. Upon any such transfer, the trans-7.3 A Secured Party may only transfer a Promissory Now held by him, subject to the terms of the Offering
- Debior all of the Collateral 7.4 Upon payment if full of all of his Promissory Noie, a Secured Party will promptly thereafter release to the

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Page

8. Pooling

In the event such a pooling occurs, the Secured Parties of the current offering and the secured parties of the other offerings will share the Collateral on a part passu (pro man) hasis for all purposes. The Debtor, in its discretion, may pool the Collateral with other of its offerings and other loans made to Debtor,

- shall not be decined to affect the meaning or construction of any of the provisions hereof 9.1 Headings. The descriptive headings in this Security Agreement are for convenience of reference only, and
- PageID.2846 occasion with respect to the subject matter hereof shall not be construed as a bar to, or waiver of, any right or remedy otherwise speculically provided for hereunder, no delay or omission by any party in exercising any right with respect to the subject matter hereof shall operate as a waiver of such right or of any such other right. A waiver on any one the subject matter bereof, unless such waiver is in writing and signed by the party waiving such right. Except as any of its rights herrunder or under any other agreement, instrument or paper signed by any of them with respect to 9.2 Waiver. Except as otherwise specifically provided for hereunder, no party shall be deemed to have waived
- hereby or by any other agreement instrument or paper, will be cumulative, and may be exercised separately or concontrady. 9.3 Rights Cumulative. All rights and remedies with respect to the subject matter bereof, whether evidenced

on any future occasion.

- one fully and completely expresses their agreement. with respect to the subject matter hereof are merged in this Security Agreement and any such instrument which with respect to the subject matter bereof. All understandings and agreements heretofore had between the pur-9.4 Entire Agreement. The parties herein have not made any representations, warranties, or coverants not set
- charged orally, but only by a written agreement which is signed by all of the parties to this Security Agreement 9.5 Amendments. This Security Agreement may not be changed, modified, extended, terminated, or dis-
- ments and to take any and all such further actions reasonably required to effectuate this Society Agreement. 9.6 Further Instruments. The parties agree to execute any and all such other and further instruments and docu-

Filed 06/3

we mailed by First Class, Registered or Centified Mail, Return Receipt Requested, postage prepaid as follows: 9.7 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall

Atta: Mitchell Brater, Vice Chairman New York, NY 10016 417 Filih Avenue Towers Financial Corporation

To the Secured Parties: on Exhibit "A" to this Security Agreement or are provided in the Promissory Notes or Subscription Documents. All the addresses which are set forth and Chief Operating Officer

Document 350-1

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or in each case to such other address as shall have last been furnished by like notice. If mailing by Registered or rified Mail is impossible due to an absence of postal service, notice shall be in writing and personally delivered to (vered, as the case may be. iforesaid address. Each notice or communication shall be deemed to have been given as of the date so mailed or

construed and enforced in accordance with the internal laws of the State of New York, without giving effect to the commenced in a court of competent jurisdiction in the State and County of New York principals of conflicts of law. Any suit or proceeding to enforce the provisions of this Security Agreement shall be 9.8 New York Law. This Security Agreement is made and delivered in the State of New York and shall be

KR 0146

Security Agreement shall be binding upon and liture to the benefit of the parties hereto and their heirs, executors, administrators, personal representatives, successors and assigns. 9.9 Successors and Assigns. Subject to the restrictions which are contained in this Security Agreement, this

IN WITNIESS WHEREOF, the Debtor has executed this Security Agreement us of the date first above written.

TOWERS HINANCIAL CORPORATION

By: Mitchell Brater, Vice Chairman and Chief Operating Officer
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		9,
New York, New York 10016	417 Fifth Avenue	Towers Financial Corporation

7.

issory Note

R _C
Thirty-Month Recourse Pron
⊏.

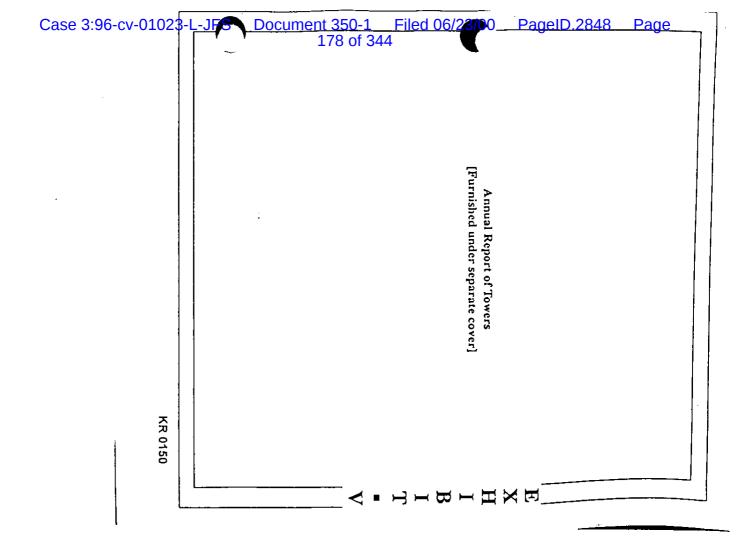
Gendemen:

(Telephone Number)

(Address)

(Print Name)

(Signature)



417 FIFTH AVENUE, NEW YORK, NEW YORK 10016 (212) 696-0505















TOWERS FINANCIAL CORPORATION

ZZCAL X EPOR

res of federal "cost-cutting

Computerized business office

the bospital executives surveyed

Moreover, it does so with sir

capital problems for its clients.

Towers is one of the country's larges busineses. The company's major smaller healthcare providers and accounts receivable programs for

Towers Financial Corporation rapid and sustained growth

CONTENTS

 Acquiring RTC/FDIC and ing industry accounts rece

Property and casualty rein

billion in 1992. lion in 1989 to more than \$1.45 has grown from almost \$183.

HIGHLIGHTS

SHAREHOLDERS



Towers Financial Corporation shut off from traditional working homes and other healthcare vices to hospitals, clinics, nursing management and factoring sersuccess as the national leader in providers which are otherwise built largely on our astounding position of continued financial enters the 1993 fiscal year in a providing accounts receivable strength and industry leadership.

By providing unmatched technical receivable loan portiolios; and and banking industry accounts industry; acquiring RTC/FDIC ment systems for the healthcare office accounts receivable manage ments for TFC include: accounts Other important industry segof medical accounts receivable. ership position in major sector ments, TFC has established a lead resources in its key market segthe underwriting and issuance receivable collection: business off by the factoring and financing reach \$2 billion this year. billion. We project accounts the financial services industry, led receivable under contract to contract is now more than \$1.45 annual accounts receivable under capital sources. The company's



Page

EALTHCARE AN INNOVATOR IN

Case 3:96-cv-01023 In 1986, we saw a looming crisis in Department of the United Brates. Because of that year's tax Dwouldn't have mattered anyway. Even if

Subtey could have louned money, banks

O

Owere in no position to help with health-lof capital. By their nature, most That healthcare providers were and not-for-profit healthcare insti-Ceing shut off from their lifeblood reform act, donations to non-profit small hospitals, clinics and nursing care providers' fundamental problem: horres are unprofitable, making it near What was needed was a total system rom commercial banks. ck of financial and management sysa growing S&L crisis means numage medical receivables. vere being out back. By

Factoring

In 1989, Towers stepped in to help ment disciplines, and experience. software, claims analysis, managesolve a growing crisis in the U.S. That's where we made the healthcure system by developing ing system: the Healthcare accounts receivable medical factorthe first nationwide healthcare

System. This landmark develop Management Receivable Accounts Office and Business

ment in financing provided this as a combination of federal "cost badly needed working capital just \$900-billion industry access to

> Not only did TFC help solve health Since their inception, TFC's healthother providers in great jeopardy ical accounts receivable office oper care providers' long- and shorttals, nursing homes, clinics and banking crisis was placing hospirutting" regulations and a growing guished by the added value of our also developed computerized nied term cash-flow problems, but TFC enjoyed a high rate of growth. and collections programs have care accounts receivable factoring collection or factoring firms. tage for TFC against more limited System, a strong competitive advanment programs and unmatched providers. These services are distin collection needs of healthcare billing, processing, auditing and stions which manage the total position as the creator of this mar-Accelerated Claims Recovery accounts receivable claims manage ket category; as well as its place as a Consequently, to capitalize on its

> > TFC's healthcare programs have its proceeds so that it might contin been reinvesting a large portion of industry's access to much-needed which significantly increase the care receivables-backed securities innovative double-A-rated health been enhanced by the issuance of needed to retain market leadership ue to improve the vast systems

> > > term notes and long-term bonds

Another Towers innovation, the first asset-backed securities of their kind, these offerings use accounts providers as collateral for mediumreceivable from many healthcare

TFC also is continuing to expand our successful program of acqui Insurance Carporation (FDIC) or banks or savings and loan instituable loans originally issued by ing portfolios of accounts receiv ing performing and non-perform these portfolios. mary and secondary market for tions participating in an active priare acquired from other instituliquidator of failed banks. They (RTC) in their role as receiver or the Resolution Trust Corporation uired from the Federal Deposit tions. These portfolios are acq-







continuing leader, the company has

in addition, the company purchases exposure. Reking to lower their credit risk non-performing loans from the actolios of healthy, solvent banks

Dy business — one in which we've Decreased so much in terms of per-Our experience has shown that Orea for TFC. N a natural outgrowth of our exist-Cocquiring and collecting such loans soanel and systems. Because of the continuing crisis among U.S. finan-...e to be a significant growth tutions, we believe it will

ally, TFC took additional steps

_st year to establish itself as a seri-

In the next 12 months, we will conwith the world's most prominent sify our exposure, and join TFC enables us to share premiums and insurance entities. losses with primary insurers, diver-Insurance Group, Reinsurance surance industry through Towers ous contender in the property rein-

tinue to implement TFC's longcompany's tremendous growth has term strategic plan. This plan has been the foundation on which the been built, and on which

Steven Hoffenberg Chairman of the Board. President & CEO



Vice Chairman of the Board Mitchell Brater



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Case 3:96

In large measure, TFC's success an unequaled scale. to process accounts receivable on sionals. These resources enable us network of highly skilled profesin tandem with our nationwide large-scale, computerized systems derives from our proprietary. their medical accounts receivable working capital, and increase solve the problem of a lack of vital sector of the U.S. economy and nursing homes, helping this ing services to hospitals, clinics receivable management and factor leader in providing accounts Towers has become a national their ability to collect and manage

Over the past 18 years, Towers

Financial Corporation, through

wholly owned subsidiaries and

affiliates, has become a recognized

national leader in the management

applied our expertise to new stature, we have consistently compatible with our core business industries and areas of service

open in the face of mounting

helping providers keep their doors

no small measure — helped keep

our healthcare system affort by

financial pressure. In the process,

As TFC has grown in size and

In recent years, TFC has revolution-

of accounts receivable.

ized healthcare accounts receivable

funding in the U.S. and has - in

OVERVIEW COMPANY

O ACCOUNTS RECEIVA

BUSINESS OFFICE

H MANAGEMENT SYST Case 3:96-cv-01023 Document 350-1 Ge Sive principal lines of business: Calebi, TFC is currently engaged in Sollectors of past-due business In its role as one of America's leading CHEALTHCARE Picly traded company in 1986 Shued growth, TFC became a pub-ACCOUNTS RECEIVABLE AND COMPUTERIZED taitals, nursing homes, clinics and Theet the specialized needs of hos MANAGEMENT SYSTEMS ACTORING AND ther healthcare providers, and to rprovide a new source of working oped a unique approach to the than \$900 billion, TFC has devel capital for this industry of more factoring of medical accounts care provider to qualify for asset the fiscal condition of the health based financing - which would) reivable. Instead of relying on COUNTS RECEIVABLE NCING OF MEDICAL

o support and enhance our conuses the credit quality of thirdlimit the availability of credit to a A large part of TFC's success in fac party reimbursers such as plans. The medical accounts and corporate or union health processed with TFC's expert ical accounts receivable is toring and financing of mee derived from the multi-million dollar invest s Yurdano. prictary hard manage its state-of-the-art systems ware used to ware and solu

healthcare providers.

small number of institutions - it Medicare, Medicaid, commercial insurers, Blue Cross/Blue Shield business office management seraccounts receivable computerized receivable factoring program is care providers' recovery of funds vices. This greatly speeds health-

Because of its size, strength and ing with TFC has been especially competitive cost structure, work-

TFC's healthcare financing assists beneficial to small and middlevery market segment most often sized healtheare providers - the ignored by traditional funding millions of patients through work sources. ing capital that allows healthcare of healthcare employees stay addition, hundreds of thousands providers to stay in business. In employed due to working capital financing of the

TFC's unparalleled success in collect ing pust-due accounts is the result COLLECTION SERVICES ACCOUNTS RECEIVABLE of our policy of best available people for our finding only the departments. collections

putting these men and women in the industry, and equipping through the best training program them with the most sophisticated

> tain goodwill with our customers' combined with our ability to main proprietary Accelerated Claims Recovery System (ACRS), That, collection system available -- our

upon which we've built our suctheir obligations, is the foundation debtors while rapidly recovering

The human factor is evident everywhere in the Towers system. TFC's highly trained professionals spend

managing the systems for them and

RECEIVABLE

Through either the purchase or factoring of receivables, TFC factors

helping their own staffs learn

CORPORATE ACCOUNTS

FACTORING bast-due and corrent accounts at a

for collection management. TFC's unsurpassed methodology

RECEIVABLE LOAN

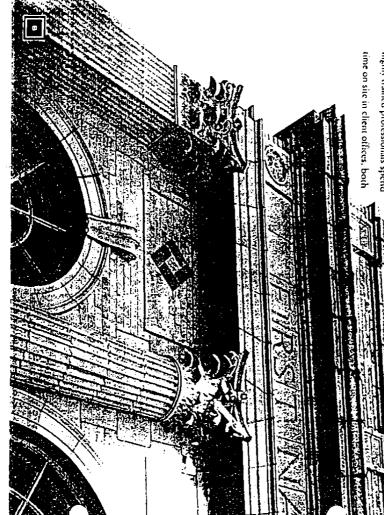
INDUSTRY ACCOUNTS

PORTFOLIOS

AND BANKING

ACQUIRING RTC/FDIC

Almost since its inception, TFC has served as a factoring resource for for us, as the federal takeover of a highly profitable business sector failed banks and thrift institutions from their portfolios. This remains purchase of non-performing loans the banking industry, through



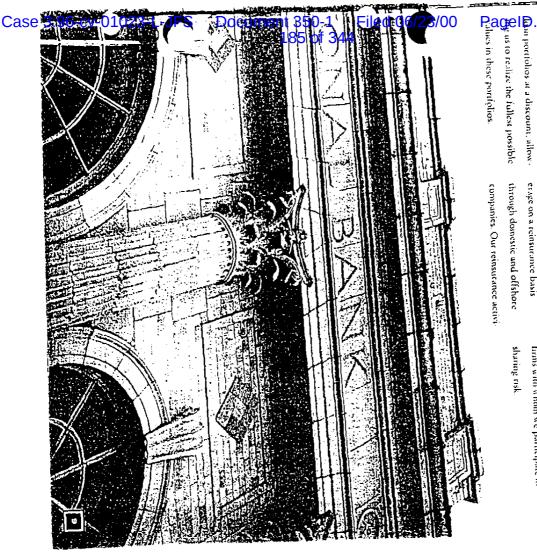
REINSURANCE INSURANCE/

Since the Towers Insurance Group

SERVICES COLLECTION RECEIVABLE ACCOUNTS

Stitly to capture this opportunity purchasing accounts receivable Concerned an opportunity to exercise our existing knowledge and experience. TFC has moved through domestic and offshore was formed in 1991, specializing in erage on a reinsurance basis property and casualty reinsurance. toward our goal of providing covwe have made great progress

exposures and benefit from the ties enable us to diversify our initial experience and financial depth of sharing risk the leading worldwide insurance firms with whom we participate in





From the company's establishment, consisting of more than 23,000 business and healthcare organizaleader in this field with a proven helping our customers collect past Financial Corporation has been tions - including mary from the track record, and with a client base due accounts. TFC is a recognized the core business of Towers

> have serviced over \$3 billion in United States. Since fiscal 1989, we accounts receivable were serviced accounts receivable. As of year-end Fortune 1,000 - throughout the 1992, more than \$1.45 billion of

BUSINESS DEBTS RECOVERING AMERICA'S

Nothing is more important to a busi ness operation than predictable cash flow. More than sales volume fund day-to-day expenses. head, pay vendors, reduce debt and affects its ability to manage overitself, the regularity of cash flow

ă

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PIC is a company dedicated to helpDig companies maintain their eash
Bow. To do this, we provide a comres, including:

Ct the lowest fixed cost in the Gog demand letter writing services plete range of accounts receivable Writing Program - providers Advantage Collection

Thdustry: The Towers Helier Writing Advantage Collection

Okind, involves no up-

m — which provides a to.

196-CV-O1

Grogram, unlike any

ware, plus the finest

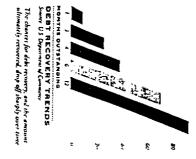
Of first recoveries received either by Towers or the client, after collection

tices. The Towers Intensive Collection Program also requires Supported by a signifed funds. no up-front fees, computer hardmade from collectwith payment icant investment in

system can manage 50 million \$6 billion annually: able, the Towers data-processing proprietary software systems availaccounts, representing more than

PROFESSIONALISM EXPERIENCE AND

TFC's rapid and sustained growth i help of lawyers, paralegals, credit actively pursues collection with the analysis and investigators (skip to one of our staff collectors, who clients — both large and small. an outgrowth of our success for accounts receivable collection is We assign each collection account





i i

Case 3:96-cv that collection soff comes to us with

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200ce In addition, all staff members
Dinkergo a rigorous, in thouse traine
Gag program and work within strict
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Dinkelines during the collection Obtainers are connected and death

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obtainers are connected and death

obtainers are connected and death

obtainers are connected and death process. The collection stall maker new collection account; comprehensive review of

TTCIs innovative approach has GROWTH AREA working capital for hospitals, nurssolved the problem of finding MEDICAL FACTORING ing homes, clinics and related facil SERVICES: A MAJOR

In addition to our programs for and corporate or union health insurers, Blue Cross/Blue Shield Medicare, Medicaid, commercial party reimbursers such as ing on the fiscal condition of third based financing other than by rely otherwise have qualified for assetating requirements, might not need cash flow to meet their open

factoring services to all types of healtheare providers, TFC provides manufacturing, transportations,

debious payment and credit history. each debtor, and to track each

institutions, which desperately

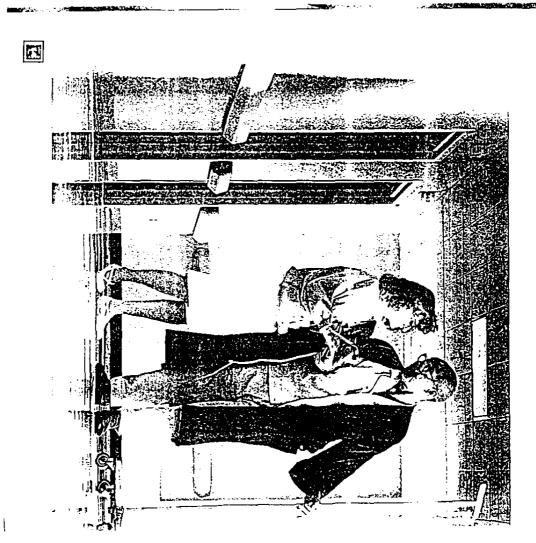
ditional funding sources. These

chem, to track our contacts with

track all accounts quickly for any able computer systems allow us to

ities, which were shut off from tra-





on highly capitalized to regain confuctoring enables companies that are trol over their cash flow; Many ance, and wholesale and distribucommunications, finance, insur-

firms — especially cash-sensitive

neglected by the banking other regular business costs. Towers' community companies, those most often designed for small and mid-sized of invoices. By factoring their receiv factoring systems are specifically payroll, rent, inventory, taxes and affordable financing to meet the tomers now routinely delay payment continuing overhead expenses of ables, these companies benefit from 60, 90, 120 days or longer that cuscan no longer afford to wait the full

The best measure of our success can

small and mid-sized companies —

Towers can manage and service the

tion service centers in the

largest accounts receivable collec-

comprehensive, yet flexible, pro Towers' programs are the most

grams available.

appropriate recovery procedure grams, providing a full range of based intensive collection pro-

· Towers is an approved government

WORK FOR ITS CLIENTS

TEC'S STRENGTH AT

Towers maintains a large legal

Towers also offers contingent

ing program available.

contractor on the federal, state and

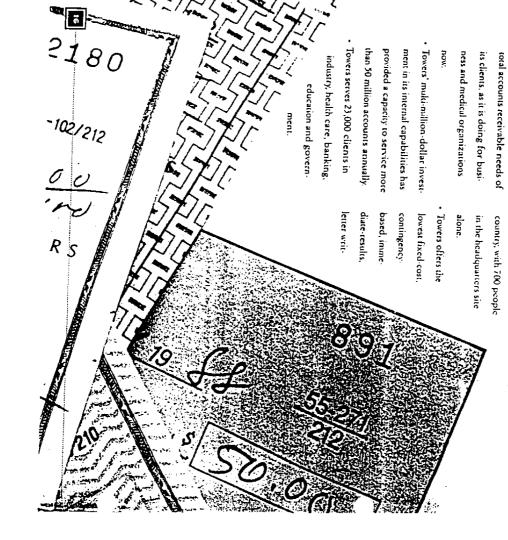
Towers maintains one of the

legals and collectors.

in-house collection lawyers, para oughly knowledgeable, full-time department, stafted with thor-



Case 3:96-cv



and will continue to do so. responsibilities to our shareholders will have fulfilled our financial efficiencies for our customers, we vices and improving our operational strated that by enhancing our serlast 18 years, we have clearly demon be found in our growth. Over the

9 advance costs for any of our 80 programs. Towers is paid only 10 when recoveries are made. 10 Towers is almost alone in its under 10 Towers is almost alone in its under 10 towers is almost alone in its under 10 towers is alone 10 tower than 2,000 employees and indepen dent contractors nationwide. 🔁 standing of how to lend its clients Towers charges no up-front or Towers is one of the few publicly money against accounts receivable. owned accounts receivable collecon institutions. We have more surchase accounts receivable

and health care in America.

receivable for corporate industry position of managing accounts will place Towers into the leading annually. This continued growth raise the level of serviced accounts more than \$1.45 billion under con Towers has accounts receivable of Towers is a recognized leader in the receivable in 1993 up to \$2 billion tract annually, and is projecting to industry, with nationwide presence

n 1986, TFC recognized a looming as Medicare, Medicaid, commercial ers and other third-party payers such Hospitals, clinics, nursing homes crisis in the healthcare industry. insurers. Blue Cross/Blue Shield and caused by slow paying health insurhealthcare providers were facing professional groups and other significant cash-flow problems

MANAGEMENT SYSTEMS BUSINESS OFFICE ACCOUNTS RECEIVABLE AND COMPUTERIZED OF ACCOUNTS RECEIVABLE

accounts receivable collection

and capabilities.



TFC's Healthcare Accounts healthcare providers. ic stability to these important are grateful for the opportunity the praised by community leaders who requirements. It also has been and effective means of generating praise from healthcare administraprogram affords to restore econom and managing their vital cash-flow tors seeking a more professional the program has received with industry crisis. Since its inception, was introduced to address this first nationwide program of its kind Receivable Factoring Program, the corporate or union health plans



Case

AN INDUSTRY IN NEED

Orely on government programs and 8 private philanthropy to stay in the Ocarious mode of existence has been of maintain. Dalack. But in recent years, this pre-Wals don't earn enough on patient The growing rate of hospital closings care to cover costs. Historically, they IF HELP - NOW

Dander the federal gov-Opatient care Dagnosis-Related : facilities are losing money on ematized the fact that more It of all community health

en America's healthecome care facilities are caught in an ecocunomic squeeze. They must address

Ounflation in an environment of stripent cost controls. They must wait

discourage private charitable

ers who have strict claims review ugment from third-party pay

requirements. And they must bear

Case 3:96-cv-01023-

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an increasing burden of the shortreimbursements. ialls from Medicaid and Medicare

FUNDING SOLUTION AN INNOVATIVE

Eerrowing has become a major source of funding for healthcare cutbacks and the S&L crisis, and hospitals now, in light of lending reasonable cost can be difficult for institutions. But borrowing at a compounded by a

changes in the 1986 tax law which it ture further are cutgeneral credit crunch Complicating the pic rent recession, and contributions, the cur backs in corporate

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Furthermore, hospitals face prowing seruting by their lending sources.

greater portion of the funds to

Qualified institutions receive same

day factoring of submitted



institutions are not operate at a loss or fact, they need to profit-oriented; in

institutions have seen their credit unding. A significant number of qualify for public near-loss to

In response to this growing cash ment agencies, and in collecting a slow-paying insurers and governbridging delays brought on by care providers. It assists them in tion especially designed for health accounts receivable factoring soluflow crunch, TFC created a unique credit curtailed. ratings downgraded and access to

Many healthcare And by developing systems with which they are entitled. small and medium-sized healthcare institutions in mind, TFC can pro

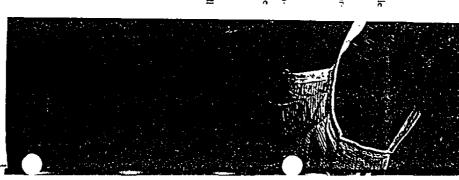
vide a level of service and commitcapital sources. ment unmatched by traditional

PREDICTABLE CASH

The Healthcare Accounts Receivable bursable accounts and self-pay er with TFC's specialized expertise recovery of third-party reimreceivable systems to speed the full business office medical accounts accounts receivable and proprietary computerized other healthcare providers, togething to hospitals, clinics, nursing medical accounts receivable factor Factoring Program provides homes, professional groups and

accounts from third-party reim.

rate or union health plans Blue Cross/Blue Shield and corpo-Medicaid, commercial insurers, bursers such as Medicare.



Case
3. In addition to these direct benefits of the Healthcare Accounts
Receivable Factoring Program. FSTORING FINANCIAL ABILITY

11 (Specificity and our familiarity)
50 (Spires, we are often able to reduce in the payment cycle substantially, ig. m. and to raise reimbursement levels to what these providers are entitled to. ed ed accounts receivable filing and in the transfer of the tr

healthcare and collection rights.

customers gain access to TFC's and benefits programs, and legal enhancements, governmental and as financial organization and conoffice management issues facing tise. Our staff is fully knowledgefinancial and management experguidance on matters relating to turing of ownership, credit and debentures, the sale or restructiols, the underwriting of bonds healtheare professionals today, such able in a broad range of business legislative issues, group insurance

As a result of this program, this vital tunistic business philosophy — tak mercial corporations for more than which has been available to combased accounts receivable factoring now has access to a form of assetly important \$900-billion industry as a prime example of our opporthree decades. At TFC, we view it capitalize on market needs ing advantage of our strengths to







Constraint accomminates is mothing.

But these federal directives didn't has it amay to most of the rigitors with feedede, the precarious existence for many to say affort to serve the past of many to say affort to serve the past of many to say affort to serve the past of the price of the pr

tec of new.

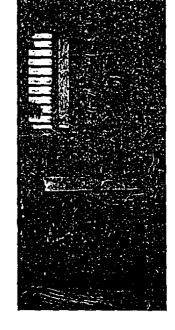
of Jumes for healthcare institutions of Jumes for healthcare institutions re service use with shrinking margins causing closer serviciny by financial recketing has become harder.

When hosp:

Meanwhile, 48% of hospital executions institutions rocketing has surveyed in a Touche-Ross pectively.

The previous histories of financial flexions of health Care, a blue-ribbon pand in and subsectional indicators are caught in term's solvency will be jeopardized and subsectional flexions and shalth care system is approaching critical and subsectional in an era of the catalysts that have led to the in an era of the catalysts that have led to the in an era of the catalysts that have led to the condition in an era of the catalysts that have led to the interest wait in an era of the catalysts that have led to the interest wait.

ACCOUNTS RECEIVABLE



A major part of TFC's business has been as a factoring resource for banks and other financial institutions seeking to dispose of non-performing loans. By purchasing these debts, TFC has enabled these solvent banks to keep their purifolio credit risk within reasonable limits.

A growing part of this business segment is the purchase of accounts receivable usset packages from the Federal Deposit Insurance

No.

Corporation (FDIC), the Resolution Trust Corporation (RTC) and other institutions. These portfolios include loans from banks and their institutions nationwide that have falled and been placed in receiverish by these federal agencies.

THE DREAM ---

America's current financial crisis is generally considered the most serious since the Great Depression, when thousands of Americans lost their life's savings. Many have called it the worst financial crisis this nation has ever faced it may well be, in terms of dollars spent its impact on the federal Endget deficit, and its far-reaching tman cial and emotional impact on every citizen in this country.

63
29s the federal agencies responsible
Dior fulfilling the promise of federal
Oderosit insurance, the FDIC and
OkTC have assumed the assets and habilities of failed banks and

marketplaces and

istics, such as similar geographic

ages sharing common characterreceivable are pooled into pack realize greater values. Accounts

Then, for our own account, TFC

SERVICES OTHER

Calincluding shopping centers, office Lbuildings, junk bonds, single Totally mortgages, consumet and the commercial loans, and miscellaCommercial loans, and miscellaCommons other holdings. O6/2-dequired hundreds of billions of O-lullars worth of diverse assets, 1 Iroughout the United . Between them, they have

for purchasers to making it easier needs, thereby similar management

applies the same sophisticated col-

lections capabilities

and methodolo gy developed for our corpo rate and healthcare

customers

RTC PORTFOLIOS PURCHASING FOIC AND

TFC continues to purchase very due and delinquent consumer. packages generally consist of past accounts receivable loans. These select packages of past-due

the maximize the return to taxpayers.

the FDIC and RTC have chosen to cosell many assets to third parties

with specialized expertise who can

age them more efficiently and

count to their face value. are available at a significant dis accounts receivable loans which commercial, real estate and other

> their own. TFC is able to substanassets than could be accomplished tially increase the return to our By realizing greater values for these by government agencies acting on





We also ofter a wide range of high surance, and related financial serquality asset-based financing, reinvices to our customers.

rate of return.

CORPORATE CREDIT

In tandem with our collection services. Towers Financial

program for the financing and out Corporation offers an exceptional accounts receivable for corporate right factoring and purchasing of

> Through these funding programs. portfolio at an extremely favorable flow, while TFC is able to remyer in receivable and more predictable cast accelerated payment of accounts these funds. Customers benefit from tions capability enables us to recove value. Our highly effective collecreceivable at a discount of their face TFC purchases and factors account

DEMAND GROWING MARKET

National economic and business in this sector of the business nics — point to continuing growth terms being offered by many compa crunch, the tightening of bank borregional recessions, the credit trends - including nationwide and rowing restrictions and stricter cresh



Case 3:96-cv-01023-L-JF



Case 3:96-cv-01023 Corporation as the first company Towers International Reinsurance cu in 1991 with the formation of) ng this decision was under-

4 ing services. We believe our innovement of the services of t Despite the rapid success achieved to g a date. TFC has just begun to tap the enormous potential of these fundtage as we move forward in this

ent market opportunities in financing and collection of O identifying and penetrating signifiant market opportunities in the elopment activities toward ""ss. We are currently applying - t share of our new business

4 300 of 35 PAE IN SURANCE

1 36 THE IN SURANCE

1 19 THE Begennent of TFC has identified the property and casualty insurance unbusiness as the next logical step in the company's growth and diversitation of the formula of the formu amon. The first phase of imple-

their experi-

Rather than dealing directly with the insured public and facing large. primary insurers who originate the share premiums and losses with the concentrated exposures, reinsurers domestic and offshore companies. primary-risk and reinsurance from The Group provides coverages for

of the Towers Insurance Group

coverages. By entering the insuris able to join ance industry as a reinsurer. Towers

We share in with the world's share basis on a quota ance entities nept insurmost promi-

Group in major

Towers Insurance

ments. sharing or assumption arrange ence and financial depth through

The worldwide insurance industry is Profound changes in the world ed change and global restructuring currently in the andst of deep-sear

> Management of TFC intends to a basic approach to sound underopportunities for new entrants with in response to these trends create of cross-border insurance alliances common market, and the formation economy and sources of production, the evolution of the European

expand operations geographically and in selected business niches to establish

presence and TFC's markets. With a global ters and other world European business cen

proven ability to

important source of revenues and earnings for TFC. tions, we anticipate these operarespond to changing market condtions will grow to become an

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	Total Assets	Assets Shareh	Prepaid	Security	Propen (Note 1	Note Re	Cash an Other R	Investi	Ассоил			ASSETS	BAL
	ets	Assets Acquired From Majority Shareholder (Notes 1, 2 and 11)	Prepaid Interest and Expenses	Security Deposits	Property and Equipment - Net	Note Receivable - Officer (Note 1)	Cash and Cash Equivalents Other Receivables	Investments (Note 4)	Accounts Receivable (Note 3)			15	BALANCE SHEET:
		r Fair Val From Ma tes 1, 2 an	id Expens	· · · · · · · · · · · · · · · · · · ·	pment -()	Officer (t	urvalents	e.4)	ble (Note				SHEET
		iue of jority d 11)	Ĵ	水 水 水	Vet	Vote I)			(د				I.
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	\$684,441,643	1,941,608	5,267,634	-474,736	17,215,214	448,900	32,487,055		\$624,747,547	1992			
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in the same of the	\$513,622,789	425,911	4,499,700	569,846	3,258,278	1,10,01	63,473,291	2,805,500	\$437,416,432	AS OF JUNE 30, 1991	. ::		
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and put of the françal suremons.	\$195								S17				
l earcmoni	\$195,562,350	458,414	797.563	515 812	3,574,494	1,061,555	9,193,566	2,805,500	177,155,440	100			

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AS DE JUNE 20. 1891 5191,188,759 286,595,677 7,888,966 6,461,689 4,442,011 1,967,510 1,967,510 2,845,000 2,845,000 17,228,177 20,078,177 20,078,177	\$684,441,643		ditional Paid In Capital 2,845,000	Controlders Equity. Common Stock \$.001 Par Value \$\times 100,000,000 Shares Authorized \$\times 100,000,000 Shares Authorized \$\times 100,000 in 1902, 5,000,000 in 1991 \$\times 100,000 in 1992, 5,000,000 in 1991 \$\times 100,000 in 1990 \$\times 5,000	658,960,641	es Payable 5,		Expense 8,070,812	Notes 6 and 7)	Nate 5) 394	ue to Clients 2240,953,678	
	\$313,622,789	70.078.177	2,845,000	5,000	493/544,612		4,442,011	6.461/689	2,888,966	286,595,677	\$191,188,759	AS OF JUNE 30, 1891

for condinary Item condinary Item cet of a Change pple s (Note 8) any Item ct of a g	Cumulative Effect on Prior Years of Changing to Capitalization of Software Costs (Net of Income Taxes) (Note 1)
30,411,451	Cumplante
30,411,451 106,910,423 7,822,193 2,635,775 5,186,418	Taxes) (Note 4)
30,411,451	Income Belore Extraordinary Item and Cumulative Effect of a Change in Accounting Principle
30,411,451 106,910,423 7,822,193	Provision for Income Taxes
30,411,451	Income Before Provision fo Income Taxes, Extraor and Cumulative Effect in Accounting Principl
rative 30,411,451	
10,626,404	Selling General and Administr
ins 23,485,682	Salaries and Benefits
s oles	Operating Expenses Interest on Notes
\$114,732,616 \$97,44	Gross Revenues
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			of Stock in Subsidiaries
570,74			of Fixed Assets and Investments
14,000,0			Proceeds From Disposition/Acquisition
0 999 ()	(322.290)	(13,956,936)	Purchase Property and Equipment
86,612.7	155,168,658	516,033,021	Collected
(151,436,2	(413,627,644)		Finance Receivables Principal
	(415.470.244)	(703.364.136)	Finance Receivables Acquired
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28.31R.6	118,485,385	59,807,410	Activities Operating
12,378,3	126,308,522	49,764,919	Net Carb Broad and Clients
6,299,5	(3,702,137)	(767,934)	a repaid Interest and Expenses
	4,442,011	2,803,092	Deterred Income
22,	(12,599,973)	3,549,990	- Lukes Fayable
			Deferred Income Taxes and
5,303	(1,620,933)	(4,516,557)	Expenses and Other
			Accounts Payable, Accrued
4112	1,401,655	3,571,075	Depreciation and Amoruzation
			Operating/Activities: /
			to Net Cash Provided By
\$3,902	000000		P
			Net Earnings:
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	1991	1992	
	YEAR ENGIN III		
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Proceeds From Noire: Payable 107,618,823 194,416,783 45,824,922
Proceeds From Collection of Noire Receivable - Officer 24,000,000 2,400,000 100,000
Proceeds From Stock Subscription 2,400,000 100,000
Cash Provided By Financing 107,618,823 196,816,783 46,174,922 writes 107,618,823 196,816,783 46,174,922
Fet Increase (Decrease) in Cash and Cash Equivalents Beginning 61,473,921 9,193,566 3,825,765
Cash and Cash Equivalents 61,473,921 9,193,566 5,827,655
End of Fiscal Year 832,487,055 853,473,291 89,193,566

STATIEMENTS

FINANCIAL

Intuitabusiness of Transcen Adjustment Grouph Ltd.
Incorporated in 1975 Senior management has been in cantrol of the Company since that date.

The Company is a diversified financial services company is a diversified financial services company operating in the acquisition and management of accounts receivable directly and through its whole by owned stabilities; Towers Credit Corporation, Towers Collection Service, Inc./Towers Leasing Corporation, Tr.C. Funding, Corporation, Towers Healthcare Receivables Funding, Corporation, Towers Healthcare Receivables Funding Corporation II. Towers Healthcare Receivables Funding Corporation IV and Towers Healthcare Receivables Funding Corporation IV. Towers Healthcare Receivables Funding Corporation IV and Towers Healthcare Receivables Funding Corporation IV and Towers Healthcare Receivables Funding Corporation IV. Towers Healthcare Receivables Funding Corporation

Towers Credit Corporation, Towers Collection Service, Inc. and Towers Leasing Corporation were acquired by Towers Financial Corporation in July 1986. The financial Statements for each subsidiary were independently audited and have been consolidated for presentation herein. Each of the consolidated subsidiaries is wholly owned by Towers Financial Corporation. The subsidiaries were incorporated as follows:

owers Collection Service. Inc. (April 1980)
owers Credit Corporation (October 1982)
owers Leasing Corporation (March 1983)
FC Funding Corporation (November 1989)
FC Funding Corporation (November 1989)
owers Healthcare Receivables Funding
opposition (March 1990)

owers I tealtheare Receivables Funding Corpo (November 1990)

Towers Healthcare Receivables Funding Corp JH (May 1991)

Towers Healthcare Receivables Funding Corpo IV (December 1991)

wers International Reinsurance Corporation pril 1991)

e consolidated financial statements include the ecounts of the Company and its wholly owned studiaties after elimination of material intercompar ecounts and financiations.

Receivables Funding Corporation, Towers Healthean Receivables Funding Corporation? II. Towers Healtheane Receivables Funding Corporation? III. Towers Healtheane Receivables Funding Corporation IV. Towers Healtheane Receivables Funding Corporation IV and Towers Healtheane Receivable Funding Corporation IV were independently audited Funding Corporation IV Richard A. Eisner & Co. The audited financial statements of each of these wholly owned substitutings are annexed to the company's audited consolidated financial state.

he sinancial statements of Towers International Reinstrunce Corporation were independently audit ed by the accounting sirm of Price. Waterhouse & Co. The audited financial statements of this wholly owned subsidiary are annexed to the Company's audited consolidated financial statements.

counting Standard No. 95, "Statement of Financial Counting Standard No. 95, "Statement of Cash



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The Company's factoring businesses consist of purious gradineria accounts receivable from health of the providers which are either payable by third purious such as commercial insurance carriers. Blue Cross Blue Shield organizations, the federal Medicare program state Medicaid propams, health the patient and corporate payors, or are payable by the patient field, and commercial accounts receivable patient field, and commercial accounts of the Company recompanying financial statements of the Company secondary secretives to the receivable management and collection business receives total control of assigned upon an extensive analysis and the proceeding and proceeding the process of the company decounts of the company Uteremines to accept only those accounts which the Company believes to be collectible. The company and the pays which takes place prior to the acceptance of the irrevocal accounts is fee upon acceptance of the irrevocal accounts is fee upo Case 3:

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In the course of electloping and implementing its healthcare finance and accounts receivable manage ment and collection businesses, the Company designed and created numerous unique and proprietary software programs, including systems for automating the billing of healthcare claims and the Accelerated Claims Recovery Systems (ACRS). For all fiscal years ending on June 30, 1992 or before, the Company had expensed the costs associated with the electrometer of the programs as such costs were incurred. The implementation of these programs will have a impact on future received. The implementation of these programs will have a impact on future received the formulation of these programs will have a impact on future received. The fiscal year ended June 30, 1992, the Company adopted a policy of capitalizing certain software development costs. Management believes that this policy better matches receives and expenses. The effect of the change increased income in 1992 before extraordinary item by approximately

Ner Ear share Effect o	Nei Ea After	as sh Effect c	
nings pe	Net Earnings After Change	as shown Effect of Change	
Net Earnings per Share as shown S0.91			
76.05	\$6,439,760	\$4.256,240 2,183,520	
50.86	/56,439,760 S4,811,658	606'806, 612'206'85	

Net Earnings per
Share After Change \$1.37

The Company acquired 80% of the common stock of Jowers Credit Corporation. Towers Collection Service. Inc. and Towers Leasing Corporation from Professional Business Brokers, Inc. July 1986. [See Noie 11.]

In fiscal year 1987, the Company acquired the remaining 20% of the common stock of these corporations from Professional Business Brokers, Inc. Professional Business Brokers, Inc. Professional Business Brokers, Inc. Professional Business Brokers and has agreed to the fiscal year ended June 30, 1988 and has agreed to the fiscal year ended June 30, 1981, 1990 and 1989. The Company is presently revising the terms of its agreement with Professional Business Brokers, Inc. The final cost is presently being negotiated. These negotiations will be concluded shortly.

Healthcare Accounts are accounts generated by hospitals, musting homes; illinics and other healthcare providers, which are payable by third party payors, such as reommercial insurers. Blue Gross/Blue/Shield organization, the federal Medicare program, sac Medicaid programs, health maintenance organizations (HMOs); CHAMPUS/CHAMPA, large self-insured plans or are self-pay. The Company purchased receivable as an asset at the time it acquires the purchased ceivable as an asset at the time it acquires the purchased receivable, and records as a liability the balance to be paid to the selfer upon collection. The terms and conditions pursuant to which the Company's five wholly owned special purpose corporate subsidiaries engage in this business general iffer, in certain regards, from those applicable to the Company's five wholly owned special purpose corporate subsidiaries which are appended to and made a part of these financial statements of these five subsidiaries which are appended to and made a part of these financial statements.

Commercial accounts which are accounts which are purchased by the Company in its collection business and portfolios sequired either directly from either the Resolution Trust Corporation (RTC) or the Resolution Trust Corporation (RTC) or the Resolution Trust Corporation (RTC) or the RTC.

company, either, purchases accounts receivable from commercial entities in a variety of industries, including manufacturing, service, wholesale and transportation businesses, or at receives total control over receivables by an irrevocable assignment of accounts receivable from its customer. The Company records accounts as an asset when it acquires full control of the receivable, and records as a liability any balance due to the seller Jupon collection.

Where the Company received an arrevocable essignment of accounts receivable from its customer, the Company obtained complete control of the account Belore accepting such an assignment, the Company performed an extensive analysis and due diligence examination of the offered receivables. Only after the Company had satisfied itself that the offered receivables were collectible would the Company accept them. In addition to this analysis and due diligence examination in prior years (but not in fiscal year ending June 30, 1992), the Company had determined, based upon historical experiences, to record as an asset only 30% of the value of receivables assigned to it and accepted. The Company record as a liability the amounts which would be due to the transferors of the receivables. Although the Company received total control over the entire receivable, the Company did not record as an asset the remaining 70% of the value of assigned receivables. For example, for each \$100 of accounts which were assigned to the Company for collection and control was vested in the Company, the Company would record as an asset \$30. The remaining \$700 was treated as a reserve for doubtful accounts. The Company's collection of the \$70 reserved for doubtful accounts in order to collect both

In fixed year ending June 30, 1992 the Company recorded as an asset only that portion of the assigned accounts which represented the amount of its estimated fee income from the controlled collection uccounts receivable portfolio. In prior years the Company recorded the total receivable estimated to be collected and a liability for the difference between the total receivable and 1990 in the total receivable and the fee. If 1991 and 1990 is were presented in the same format with the method used in 1992 the Accounts Receivable would have been \$384,610,473 in 1991 and \$112,275,209 in 1990 and Due to Clients would have been \$18,832,800 in 1991 and zero in 1990. All other purchased accounts receivable are included in these amounts.

In many instances, certain accounts which are initially assigned to the doubtful accounts reserve are subsequently determined to be collectible. In such event, the Company-adjusts its initial determination and includes such accounts as assets.

FDIC and RTC portfolios consist of groups of charged off and/or delinquent learn generated by falled banks and savings and loan associations. The Company also acquires certain portfolios from non-failed banks. Due to the fact that this category represents a relatively new industry, and the fact that the Company accordingly has not developed the same historical experiences in this entergory as it has in its other businesses, the Company records these portfolios as an asset at their cost. Cost includes the amounts paid to the seller of the portfolios as well as the Company's due diligence examination costs and allocated overhead expenses.

The Company acquired an 82% interest in United Diversified Corporation ("UDC"), an insurance holding company, in 1987. Within six months of the acquisition, UDC was placed into receivership by the lilinois Insurance Director, and the Company thereupon ceased to have access to information concerning the financial condition of UDC. In 1992 the

Company scalled certain literation arising out of this acquisition. As part of such scallement, the Illinois Insurance Director was given control of UDC. As a result of this decision, the Company incurred an extraordinary loss of \$3.760,000, net of income tax benefit of \$2.520,000 (or \$.76 loss per share).

The Company's businesses require substantial cipital.
The annount of cipital required is decreated on the volume of Business the Company tenerates. These Company Ids funded capital requirements primarily through the sale of notes and bonds in the capital markets.

Other Notes \$195,821,463 198,393,037

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\$394,214,500

The Healtheare Notes consist of notes issued under five different indentures. They bear interest at fixed rates ranging from 7.8%, to 10.2%. The notes mature on various dates between November 15, 1993 and May 15, 1997. Amortization begins on various dates between March 15, 1993 and November 15, 1996. Amortization is determined by collection of Healtheare Receivables over a nine month period. The notes are collateralized by the ussets of the respective subsidiaries which issued them. Such assets which consist principally of Healtheare Receivables, agaregute approximately \$334,551,000. The other notes are secured by the assets of the Company, bear interest in a range from 12 to 14%, and mature at various dates through June 30, 1994, these notes are collateralized by the total assets of the Company.



\$919,631 \$853,185 \$1,020,764



See Nate2 relating to the acquisition
Corporation Towers Collection Set
Towers Leasing Corporation

ifessional Business Braker, line. (PBB) presently was an excess of 60% of the Company's our standing ommon stack. (PBB) is owned by the Hoffenberg and Jrust. a revocable zrust established by Steven followers, the Company's Chairman of the Beard followers, the Company's Chairman of the Beard and Chief Jexecutive Officer. Due if the nature of the rust institution creating the Hoffenberg Tamily rust. Mr. Hoffenberg may be considered the benefit allowing of PBB, and honce the benefit owner of BBs interest in the Company's ce. Note 2 for deadly fithe Company's transaction with PBB.

quired equity interests in extrain companies. In all guired equity interests in extrain companies. In all ses, opportunities pursued by such other companies are first presented to the Board of the Companies of first presented to the Board of the Companies of the companies of the Companies of the Companies of the Company's Board of the companies of the Company's them.

is Healtheare Receivables Funding Corporati ised \$4,950,000 by the issuance of additional * rated bonds on July 31, 1992.

Company is not currently involved in any litipat a material nature:

	STHREGV	EKI-C III	11-1RFC 11 67,922,000	K-T-IRFC	
20.272.786	28.814.000	76,022,000	67,922,000	90,454,000	
25.947	235.000	12.156,000	6379,000	5283,000	

Case 3

Price Waterhouse

Price Waterhouse Centre Columbre Rock P.O. Box 634C St. Michael Barbados, V/ I

Tel (809) 436-7003 Fax (809) 436-7057 Fax (809) 429-3747

September 30, 1992

Audilors' Report

To the Shareholder of Towers International Reinsurance Corporation

We have audited the balance sheet of Towers International Reinsurance Corporation as at June 30, 1992 and the statements of income and retained earnings and changes in funancial position for the year then ended. These linancial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these linancial statements based on but audit.

We conducted out audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the funancial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these linancial statements present fairly, in all material respects, the financial position of the company as all June 30, 1992 and the results of its operations and the changes in its Inancial position for the year then ended in accordance with generally accepted accounting principles.

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Charlered Accountants

Case 3:96-cv-01023-Lates		Retained earnings (delicit)	Subscription for shares to be issued	Share capital (Note 5)		mounts due to parent and affiliated companies thousand	Uncarned premium reserve	Accounts payable and accrued liabilities)6//	23	Amount due from whomate Parent	Interest receivable	Premiums receivable			(MACHINE EXPRESSED IN ANI	TOTAL STREET		MLANCE SHEET	CORPORATION	DENSURANCE
	\$20,272,786	20,097,582	97,582		20,000,000		154,276	8,769	\$12.159		\$20,272,786	10,000,000	86,722	30,528	\$10,155,536		1000		には、大変の大変の大変の大変の大変の大変の大変の大変の大変の大変の大変の大変の大変の大		
	\$10,237,204	9,998,035	(1,965)	9,875,000	125,000	239,169	224,988		\$14,181		\$10237204		8,882		\$10,228,322		1001	30		V	

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	Underwriting income Gross premiums written Uncerned premiums Premiums earned Commissions Commissions Net underwriting income Other income (expenses) Interest income General and administrative expenses Net income (loss) for the year Deficit, beginning of year	REINSURANCE REINSURANCE CORPORATION STATEMENT OF INCOME AND RETAINED EARNINGS (AND DITTE STATES STATES SOLLARS)
The accountainty into motor are an amora	\$34716 (8769) 25,947 4,188 21,759 21,759 (20,181) 71,788 59,547 (1,965)	YEAR ENDED JUNE 30
al pun of the formeral state	11.38 (14.11 (14.11 (14.11)	A DOINT NO

REJUSURANCE CORPORATION ATEMENT OF CHANGES IN FINANCIAL POSITION Anounts expressed in operating activities Net income (loss) for the year Changes in non-cash assess and liabilities Premiums receivable Accounts payable and accrued liabilities Unexamed premium reserve Changes in process and accrued liabilities The provided by the position of the year of
. 35 1891

are an integral part of the financial statements.

Case 3

REINSURANCE
CORPORATION
NOTES TO THE FINANCI
STATEMENTS

bados on June 5, 1991 and is licensed under the mpt Insurance Act of 1983. It is a wholly owner stdays of Towers Francial Corporation for Company is Towers Francial Corporation for Jork USA.

pancipal activity of the company is the reinsurnce of property and casualty, accident and health ad group life risks.

ums are recognized on a pro-rata basis over the ad coverage is effective. Uncarned premiums and eportions of premiums written which relate to rage provided subsequent to the balance sheet

ss reserves, which include provision for outstanding ossestand losses incurred but not reported, are estimated by management and may differ significantly rom actual loss development. Adjustments to estimates are reflected in income for the year in which hoy are identified. Loss reserves have been estimated at June 30, 1992.

neactions in foreign currencies are translated into futed States dollars at exchange rates ruling at the are of the transactions. Amounts receivable and symble in foreign currencies at the balance sheet are translated into United States dollars at the manufacture are translated into third of the and the result grain or loss is included in income for the year.

omprises a promissory nate repayableon and and bearing interest at the rate of 3% p and anterest income carned for the year on the amounted to \$84,657 (1991 – nil).

iese amounts are insecured, interest five and i no fixed repayment terms

re complify a suthorised to issue in unlimited in ber of common shares without nominal or per val At June 30, 1992-20,000,000 shares were icated at oursawding. During the year 125,000 shares origing the death of the portation were in the held by Towers Financial Corporation were in the death of Towers Ground 19,875,000 shares were issued to Towers Ground 19,875,000 shares of the properties of the same in the same issued at the same issued to the same

te company is exempt from all withholding taxe neome, profits or capital gains in Barbados es a seult of its licence under the Barbados Exempt nsurance Act of 1983. The exemptions have be pursuanced by the Government of Barbados for period of lifecen years expiring on June 30, 2000.

Richard A. Eisner & Company

Certified Public Accountants

New York, New York Towers Healthcare Receivables
Funding Corporation Board of Directors

We have audited the accompanying balance sheets of Towers Healthcare Receivables Funding Corporation as at June 30, 1992 and June 30, 1991, and the related statements of operations and deficit, and cash flows for the year ended June 30, 1992 and for the period from July 16, 1990 (inception) to June 30, 1991. These financial statements are the responsibility of the Company's management. Our reponsibility is to express an opinion on these financial statements sed on our audits.

accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

opresent fairly, in all material respects, the financial statements enumerated above present fairly, in all material respects, the financial position of Towers Healthcare Receivables Funding Corporation at June 30, 1992 and June 30, 1991, and the results of its operations and its cash Offices for the year ended June 30, 1992 and for the period from July 16, 1990 (inception) to June 30, 1991 in conformity with generally accepted accounting principles.

As discussed in notes to financial statements, the Company is a party to an indenture which imposes certain operating restrictions. See Notes B, C and D for further informations.

PUBLIC ACCOUNTANTS

New York, New York October 23, 1992

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New York, NY

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[25] Total liabilities lotal capital deficiency Due to Parent (Notes B and D) RECEIVABLES FUNDING CORPORATION BALANCE SHEETS payable (Notes B and D) 100 no par value; 200 sh A[2]) \$90,454,000 \$90,454,000 \$46,321,000 (1,221,000) (2,351,000 91,675,000 41,671,000 \$85,868,000 1,895,000 3,737,000 962,000 337,000 ,,,,000 503,000 88,000 9,000 **72,817,**0 \$92,527 (1,420 (290, 1217

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YCAN ENDED JUNE 20, 1892 \$(911,000) \$8,000 (1,660,000) \$8,000 (255,000) \$8,000	Other liabilities Net cash provided by (used in) operating activities
	(971,000)



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	CASH AND CASH EQUIVALENTS - END OF YEAR - 3,33	6,905	0.16
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6,905,000

Net cash provided by (used in) financing activities >

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Towers Healtheare Receivables Funding Corporation (the "Company"), a Delaware corporation is a whole with the "Parent"). The Company purchases, from the Parent, healtheare receivables of hospitals and other providers of healtheare receivables of hospitals and other providers of healtheare services. The obligors of the clinical receivables purchased are primarily insurance companies and povernmental agencies ("third") pary obligor").

The Company is one of five substidiaries of the Parent in the business of purchasing healthcare receivables are purchased by each of the five substidiaries and may also purchase certain healthcare receivables for its own account. Further, the income and expenses of the substidiaries and may also purchase certain healthcare receivables for its own account. Further, the income and expenses of the substidiaries and substidiaries and substidiaries and second. Further, the income and expenses of the substidiaries and second. Further, the income and expenses of the substidiaries and second.

The Company assumes the credit risk of the third parry obligor, the healthcare provider is charged-back for any collection deficiencies. The Company also assumes the risk of loss if the provider or the Parent does not pay the Company the amount of such deficiencies or replace the uncollected receivables with an equivalent amount of collectible receivables. Provisions for credit losses will be established in the event that default by a third parry obligor or a healthcare provider appears probable. Through June 30, 1992 no credit losses have been incurred. he Company carrs a fee of 5% of the collected amount of the healthcare receivables and pays an origination fee of 2% to the Parent (see Note B). Such fees are recognized as income and expense over the estimated average life of such healthcare

NOTES TO FINAN

The amount due to Parent at June 30, 1991 of \$32,841,000 consisted of a liability for purchased healthcare receivables of \$31,181,000 and other liabilities of \$1,660,000. The amount due to Parent at June 30, 1992 of \$41,671,000 consists of amounts due to Parent for purchased healthcare receivables of \$37,562,000 less \$15,891,000 which consists of amounts advanced to Parent in advance of the application of those amounts to the purchase of healthcare receivables and fees paid to the Parent during the year which were subsequently waived (see Note 1971).





sidiaries. The Parent also repurchascu from its other subsidiaries which were the Company.

Prior to December 31, 1991 cash balances on hand in Min to December 31, 1991 cash balances on hand in sone of the Company's operating bank accounts were automatically transferred to an interest bearing automatically transferred to an interest bearing account of another subsidiary of the Parent. These thinds (including interest income) are classified as due from affiliate on the accompanying balance.

Healthcare receivables are carried at stated value due and payable by a third parry obligor. Amounts collected from the third parry obligors may be below stited value. In such circumstances the healthcare movider is required to substitute healthcare receivables in an amount equal to the difference between stated value and collected amounts. Upon purchase of a healthcare receivable, a percentage of stated value is advanced to the Parent by the Company for payment to the healthcare provider and the balance due is paid upon ultimate collection from the third parry obligor.

Pursuant to the terms of the Agreement, the Company is required to pay to the Parent the balance due prior to collection from the third parry obligor is unable to pay for reasons not faining to the receivable or the healthcare provider thind parry obligor is unable to pay for the seasons on the healthcare receivable.

Purchased healthcare receivables.

Furchased healthcare receivables amount to a large the healthcare receivables.

Furchased healthcare receivables amount to a large the healthcare receivables.

azz, 505,000 from the same provider. The Compand the two other subsidiaries have collateral in tion to the receivables, with an appraised value in excess of \$40,000,000.

On July 19.1990 the Company issued \$56,500,000 of its Healthcare Receivable-Backed Bonds (the Bonds ') pursuint its an indenture between the Company and Connecticut National Bank, as Justice (the 'Indenture'). Interest on the Bonds was payable quarterly at 10,20% per annum. Effective July 15. 1992 the Bonds bear interest at 8.375% per annum The Bonds were originally scheduled to mature on July 15, 1992. Holders of an aggregate of \$45,000,000 in Bonds elected to extend their maturity date to November 15, 1993, with principal amortization to begin on March 15, 1993 in amounts determined by collection of healthcare receivables. The bond holders who did not elect to extend were repaid their principal balances in varying monthly amounts from November 15, 1991 through July 15, 1992, with \$1,321,000 remaining unpaid at June 30, 1902.

The Company's cash, cash equivalents and healther receivables collateralize the Bonds.

The Indenture indicates that monies are to be transferred by the Company to the Parent only for the purpose of purchasing healthcare receivables; from time to time the Company advances amounts to the Parent in advance of application of those amounts to the purchase of healthcare receivables (see Note B). The Company believes, and has been assured by the Parent, that all such advances will be applied in compliance with the Indenture. An Subject of the set finding

The Indenture requires the Company to maintain a certain level of collateral coverage. The level of collateral coverage. The level of collateral coverage is measured by comparing the stated value of outstanding purchased healthcare receivables to the aggregate principal amount of Bonds outstanding reduced by each and cash equivalents. The Indenture also places certain restrictions on the amount of receivables that may be purchased from any one healthcare provider. For purposes of determining compliance with this restriction and the required collateral coverage, the Company considers the other advances to Parent described in Note B to be each equivalents. The formula used to determine compliance with the coverant felating to receivables from any one provider is more restrictive in the Indenture than in the private placement memorandum to the Bonds. The Company believes the formula in the private placement memorandum to be the intent of the Bonds. At June 30, 1992 the Company is not in compliance under the less restrictive formula ance under the more restrictive formula with respect to one provider and is not in compli-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Indenture also calls for an acceleration of loan principal repayment in the event that during any conscruing three-month period, the aggregate stated value of outstanding purchased healthcare receivables which are not Defaulted Accounts, as defined, and which are unpaid after 90 days exceeds 10% of the average aggregate stated value of all healthcare receivables. For purposes of this provision the Company considers claims which were rejected for insufficient documentation, or which were not paid as of the expiration of 90 days to be new claims upon resubmission to the healthcare provider. Based on its collection experience relating to healthcare receivables, and the provisions of applicable state laws relating to the payment obligations of third purry

ence previously noted, management believes that under this interpretation, the Company is in com-ance with the 90 day provision described above. to treat unpaid claims, at the expiration of 90 day new claims on the assumption that they would habeen paid except for insufficient documentation come other nondisallowing reason. Due to the nation healthcare receivables and the collection experience.

The Company files a consolidated federal income to return with the Parent. Pursuant to a tax sharing agreement, the benefit of the Company's losses aggregating approximately \$2,300,000 through Ju 30, 1992 utilized by the Parent will be passed on the Company to offset futur

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Richard A. Eisner & Company

Certified Public Accountants

Towers Healthcare Receivables Funding Corporation-II New York, New York Board of Directors

We conducted our audits in accordance with generally perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We have audited the accompanying balance sheets of Towers Healthcare Receivables Funding Corporation-II as at June 30, 1992 and June 30, 1991, and the related statements of operations and retained earnings, and cash flows for the year ended June 30, 1992 and for the period from November 2, 1990 (inception) to June 30, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

and the state of the state of the state of

4 In our opinion, the financial statements enumerated above 4 Apresent fairly, in all material respects, the financial position of 7 Towers Healthcarc Receivables Funding Corporation—II at June 30, 1992 of fand June 30, 1991, and the results of its operations and its cash 50 flows for the year ended June 30, 1992 and for the period from 30 November 2, 1990 (inception) to June 30, 1991 in conformity with 20 Quenerally accepted accounting principles.

10 As discussed in notes to financial statements, the Company restrictions. See Notes B, C and D for further information with 10 crespect to such restrictions.

PUBLIC ACCOUNTANTS in

333 Madisson Assenue, New York, N.Y. 10025-2103 — Telephone (218) 335-(100; Per (218-35) 201

october 23, 1992

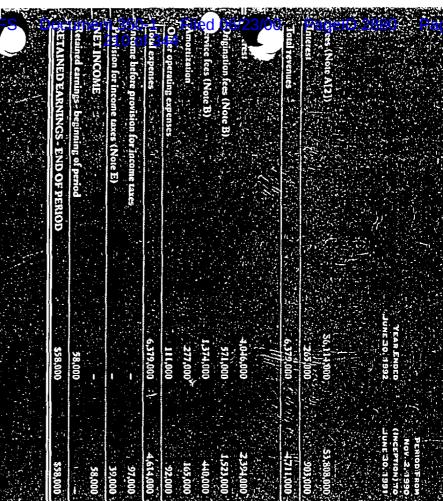
New York, NY Melville, NY Member of Summo International Associates Inc Cambridge, MA

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TOTAL	Interest receivable ///	mation	Cash and cash equivalents (Note D) Due from alliliate (Note B)	Purchased healthcare receivables (Notes Cand D)			BALANCE SHEETS	RECEIVABLES FUNDING
`\ \$6;								G 2
\$67,922,000 \$79,120,1	389,000	3,469,000 2,792, 601,000 692,		\$59,798,000 \$68.536	1992	LUNG IO.		

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pan of the financial salement	The accompanying noise are an integral part of the formed galency	58 Theuco	
		· 新加州 · · · · · · · · · · · · · · · · · · ·	
\$79,120,000	\$67,922,000		- (*)
888,000	888,000	TOTAL	
58,000	58,000	Total shareholder's equip.	
830,000	000000	Retained earnings	
	810 000	authorized, I share issued and outstanding,	Ť.
		Common stack no par value; 1,000 shares	$\vec{}$
		では、100mmので	
78,232,000	2000		÷
	67.034 000	Lotal trabilities	***
89,000	65,000		*
169,000	163,000	Other liabilities.	
16,000		Interest payable	P
	1	Due to affiliate	
1733,000	1,504,000	CITIE (Note William)	
34,725,000	23,796,000		~` ′
\$41,500,000	**************************************	Due to Parent (Notes B and D)	12.
	\$41 500 000	Bonds payable (Notes B and D)	
		大学の はままない ないこうかん はない いっこう	0 , N
\$79,120,00	00007227000		Δ,



Net cash (used in) investing activities	Due from affiliates, net	Collection of healthcare receivables	Purchases of healthcare receivables	のでは、10mmのでは、	Net cash provided by (used in) operating activities	Other liabilities	Interest payable	Prepaid origination fees	Interest receivable	Due to Parent	Due from Parent	Changes in cash from changes in:	provided by (used in) operating activities:	Adjustments to reconcile net income to net cash	Net income		は、これでは、これでは、これでは、これでは、これでは、これでは、これでは、これで		是一种的一种,他们们就是一种的一种,他们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们	では、これのでは、これでは、これでは、これでは、これでは、これでは、これでは、これでは、これ	が対象を対象を表現している。	STATEMENTS OF CASH FLOWS	CORPORATION-II	RECEIVABLES FUNDING
(4 515 non) ' ' '	(693,000)	130 241 000	(133.163.000)		1	(24,000)		91.000	16,000	1245 000		\$277,000				JUNE 30, 1892	YEAR ENDED	意となるとなった。			とは人人			
	39,835,000 (2,776,000)	(71,75,000)			(390,000)	82,000	760 000	(6) 000		(157,000)		-164,000		300,000		JUNE 30, 1991	(INCEPTION)	PERIOD FROM						

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has accompanying notes are an integral part of the formed a

| Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State | Particle From State

PORATION-II ES TO FINANCIAL TEMENTS

cr. Healthcare Receivables Funding Corporation I in "Company") a Delaware corporation, is a wholl med subsidiary of Towers Funancial Corporation or Purent 1. The Company purchases, from the real, healthcare receivables of thospital and other or the company purchases of the orders of healthcare services. The obligors of the althcare receivables purchased are primarily insures companies and governmental agencies ("third ry obligor").

Company is one of five substidiaries of the Parent the business of purchasing healthcare receivables are Parent controls which healthcare receivables are included by each of the five substidiaries and may opurchase certain healthcare receivables for its maccount. Further, the income and expenses of substidiaries may vary at the discretion of the rent as described in Note B.

be Company earns a lee of 3% of the collected amount of the healthcare receivables and pays an amount of the healthcare receivables and pays an origination fee of 2% to the Parent (see Note B). Such fees are recognized as income and expense over the estimated average life of such healthcare receivables.

ne Company assumes the credit risk of the third pary obligor the healthcare provider is charged-back for supy collection defliciencies. The Company also assumes the risk of loss, if the provider or the Parent does not pay the Company the amount of such defliciencies or replace the uncollected receivables with an equivalent amount of collectible receivables. Provisions for credit losses will be established in the event that default by a third parry obligor or a healthcare provider appears probable. Through June 30, 1992 no credit losses have been incurred.

sts of \$830,000 incurred in connection with the source of bonds of which \$415,000 was paid to he Parent, are being amortized over the life of he bonds.

por ports of the state instruments which it believes to be highly liquid and which have a ry of three months or less to be cash equivalently of three months or less to be cash equivalently of three months or less to be cash equivalently.

The amount due to Parent at June 30, 1991 of \$34,725,000 consisted of a liability for purchased healthcare receivables of \$34,882,000 less other receivables of \$17,000. The amount due to Pare at June 30, 1992 of \$23,796,000 consists of amound due to Parent for purchased healthcare receivable of \$12,251,000 and other liabilities of \$1,245,000 (see Note D[21).

e Parent manages the Company and four other su
idiaries, all of which, are in the same business. In
utempt to achieve equitable results among the five
utempt to achieve equitable results among the five
nutics, the Parent buys and sells receivables with
his group. During the year ended June 30, 1992 th
Parent repurchased certain healthcare receivables
from the Company and sold them to its other subutaries. The Parent also repurchased receivables
from its other subsidiaries which were then sold to
the Company.

rior, to December 31, 1991, cush balances on hand one of the Company's operating bank accounts a sufficient data interest bearing

Healthcare receivables are exerted at stated value which amount evaluated by the Parent to be due and the by a third party obligor. Amounts collected at the third party obligors may be below stated after the third party obligors may be below stated after the third party obligors may be below stated after the treduction of the third party obligors may be below stated in an amount equal to the difference between stated value and collected amounts. Upon purchase of a health-care receivable, a percentage of stated value is advanced to the Parent by the Company for payment to the healthcare provider and the balance due is paid upon ultimate collection from the third parry of the party of the collection from the third parry of the party of th

the terms of the Agreement, the Company to pay to the Parent the balance due prior no from the third party obligor if i) the robligor is unable to pay for reasons not the receivable or the healthcare provider (AIJ) or ii) 363 days elapse from the puras defined. See Noie D[2] for manage thou for aging healthcare receivables.

npany and Connecticut National (the "Indenture"). Interest on the

The Indenture requires the Company to maintain a certain level of collateral coverage The level of collateral coverage is measured by comparing the stated value of outstanding purchased healthcare receivables to the aggregate principal amount of Bonds outstanding reduced by eash and cash equivalents. As of June 30,1992, the Company is not in compliance with this requirement. Management has taken the necessary action to cure the noncompliance and is of the opinion that such noncompliance has been cured subsequent to year end. The Indenture also places certain restrictions on the amount of receivables that may be purchased from any one healthcare with this restriction and the required collateral coverage, the Company considers other advances to the Parent, if any, and receivables from other affiliates to be each equivalents. The formula used to determine compliance with the covenant relating to receivables from any one provider is more restrictive to the Indenture than in the private placement memorandum delivered to investors in connection with the

intent of the parties. At June 30, 1992 the Company is in compliance under the less restrictive formula and is not in compliance under the less restrictive formula and is not in compliance under the more restrictive formula with respect to one provide.

The Indenture also falls for an acceleration of Joan principal repayment in the event that during any consecutive three month period, the aggregate stated value of outstanding purchased healthcare receivables which are not Defaulted Accounts as defined and which are unpaid after 90, days exceeds 10% of the average aggregate stated yalue of all healthcare receivables. For purposes of this provision the Company considers claims which were rejected for insufficient documentation, or which were not paid as of the expiration of 90 days to be new claims upon collection experience relating to healthcare receivables, and the provisions of applicable state laws relating to the payment obligations of third party of treat unpaid claims, at the expiration of 90 days, as been paid except for insufficient documentation or some other nondisallowing reason. Due to the nature of healthcare receivables and the collection experiment has considered in the previously moted, management believes that, under this interpretation, the Company is in compliance with the 90 day provision described above.

New York, New York Towers Healthcare Receivables Board of Directors Funding Corporation-III

We have audited the accompanying balance sheets of Towers Healthcare Receivables Funding Corporation-III as at June 30, 1992 and June 30, 1991, and the related statements of operations and retained earnings, and cash flows for the year ended June 30, 1992 and for the period from May 16, 1991 (inception) to June 30, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

cepted auditing standards. Those standards require that we plan perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We conducted our audits in accordance with generally An audit

A In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Towers Healthcare Receivables Funding Corporation-III at June 30, 1992 and June 30, 1991 and the results of its operations and its cash flows for the year ended June 30, 1992 and for the period from May 16, 1991 (inception) to June 30, 1991 in conformity with 9 generally accepted accounting principles.

Deferred income (Note A[2])

Due to Parent (Notes B and D)

28,611,000

\$40,500,000

5,797,000

391,000

63,000

500,000

1,644,000

Total liabilities

74,055,000

795,000 505,000

on stock, no par value; 1,000 shares

earnings (deficit)

Other liabilities

respect to such restrictions. is a party to an indenture which imposes certain operating restrictions. See Notes B, C and D for further information with As discussed in notes to financial statements, the Company

October ew York, New York october 23, 1992

373 Madinin Arenne, New York, N.Y. 18022-2397 - Telephone (272) 155-1708, Fax (272) 355-2414

Minister of Summir International Associative Inc

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Bands payable (Notes B and D) BALANCE SHEETS CORPORATION-III RECEIVABLES FUNDING aid origination fees (Note B) ables (Notes C and D) \$76,022,000 \$68,097,000 3,629,000 . 3,094,000 538,000 658,000 \$47,824,000 34.423,000 810,000 181,000 782,000

\$76,022,000

\$47,824,000

573,000

(237,000)

810,000

1,117,000

1,967,000

Case 3:95 av. 1.02 (1.5)	RED RESERVED 23/03	COR
SIN III	RETAI RETAI RETAI RETAI RETAI Noie A(Z)) s evenues evenues evenues (evenues evenues ev	4,\\'\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\
in the leavest in the	TENITS OF O ETAINED EA ETAINED EA LA(ZI) LA(ZI) In fees (Note B) In fees (Note	III-NOU
f the formacid arm	R N II	NEING
Manual Park Control of the Control o	ATIONS NGS REDOFPERIOD	
	D .	
	**************************************	CALLED STATE OF

302,000 217,000 302,000 217,000 302,000 28,000 28,000 66,000 (237,000) \$(237,000)

	Due from affiliate (Net cash (used in) investing activities	Collection of healthcare receivables Other advances to Parent	Purchases of healthcare receivables	Other liabilities Net cash provided by (used in) operating activities	Due to Parent Interest payable	Interest receivable	Amornization Changes in cash from changes in:	Net income (loss) Adjustments 10 reconcile net income (loss) to net cash provided by (need 1)		RECEIVABLES FUNDING CORPORATION-III STATEMENTS:OF CASH FLOWS
The uncompanying more were no imperal p	(2,819,000) (35,511,000)	194,731,000	6,102,000	732,000	(19,000)	(458,000) - 175,000	284,000	\$1,354,000	YEAR ENGED June 30, 1992	
are an interest true of the farment forwards.	(810,000)	(5,528,000) 378,000	(117,000)	63,000	19,000	(200,000) (181,000)	28,000	\$(237,000	PERIOD FROM MAY 30: 1891 (MCEPTION) TO MINE 30: 1891 (MCEPTION)	du de la companya de

MAY 16, 1991

III (the "Company"), a Delaware corporation, is a wholly owned subsidiary of Towers Financial Corporation (the "Parent"). The Company burchases, from the Parent halthcare receivables of hospitals and other providers of healthcare services. The obligors of the healthcare receivables purchased are primarily insurance companies and governmental agencies ("third party obligor").

The Company is one of five subsidiaries of the Parent in the business of purchasing healthcare receivables are purchase to controls which healthcare receivables are purchase certain healthcare receivables for its own account. Further, the income and expenses of the subsidiaries may vary at the discretion of the Parent is described in Note B.

CASH AND CASH EQUIVALENTS, END OF YEAR

lemental disclosure of cash flow inlor

NCREASE (DECREASE) IN CASH AND CASH

(31,329,000)

34,423,000

\$3,094,000

\$34,423,000

2,600,000

40,500,000

esh provided by financing activities

The Company curns a fee of 5% of the collected amount of the healthcare receivables and pays an origination fee of 2% to the Parent (see Note B).

Such fees are recognized as income and expense over the estimated average life of such healthcare receivable.

The Company assumes the credit risk of the third party obligor, the healthcare provider is charged-back for any collection deliciencies. The Company also assumes the risk of loss if the provider or the Purent does not pay the Company the amount of such deficiencies or replace the uncollected receivables with an equivalent amount of collectible receivables. Provisions for credit losses will be established in the event that default by a third party obligor or a health-care provider appears probable. Through June 30.

70

Costs of \$850,000 incurred in connection with the issuance of bonds, of which \$405,000 was paid no the Percut, are being amortized over the life of the bonds.

Pursuant to a Master Sale and Servicing Agreement; the "Agreement"), as compensation for its services in originating, servicing, administering, and collecting the purchased healthcare receivables, the Paren receives fees from the Company.

The amount due to Parent at June 30, 1991 of \$5,797,000 consisted of a liability for purchased healthcare receivables of \$5,778,000 and other liabilities of \$19,000. The amount due to Parent at June 30, 1992 of \$28,611,000 consists of amounts due to Parent for purchased healthcare receivables of \$31,902,000 less \$3,291,000 of amounts advanced to Parent in advance of the application of those amounts to the purchase of healthcare receivables (see Noie D[2]).

The Parent manages the Company and four other subsidiaries, all of which are in the same business. In an
attempt to achieve equitable results among the five
entities, the Parent buys and sells receivables within
this group. During the year ended June 30, 1992 the
Parent repurchased certain healthcare receivables
from the Company and sold them to its other subsidiaries. The Parent also repurchased receivables
from its other subsidiaries which were then sold

mount evaluated by the Parent to be due and yable by a third party obligor. Amounts collected am the third party obligor. Amounts collected am the third party obligor. Amounts collected are the third party obligor. Amounts collected to the such circumstances the healthcare provider required to substitute healthcare receivables in an inform regular to the difference between stated value in the difference between stated value in the difference of stated value is discoverable, a percentage of stated value is distinct to the Purent by the Company for payment of the healthcare provider and the balance due is said upon ultimate collection from the third party obligation.

Estate to the terms of the Agreement, the Company Street in the terms of the Agreement, the Company Street in the party obligor if i) the sollection from the third purty obligor if i) the said purty obligor is unable to pay for reasons not relating to the receivable or the healthcare provider (See Note A[3]) or ii) 365 days clapse from the purtiese date as defined. See Note D[2] for management's method for aging healthcare receivables.

nds and July 1991 the Company issued \$42,500,0 for Healthcare Receivable-Backed Bonds (the nds) pursuant to an indenture between the

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Company and Connecticat National Bank, as Trustee (the "Indenture"). Interest on the Bonds is payable quarterly, at 9.15% per annum. The Bonds are scheduled to mature on May 16, 1994 and call for principal amortization to began on November 15, 1993 in amounts determined by collections of health-care receivables.

Company's cash, cash equivalents and healthcare ceivables collateralize the Bonds.

The Indenture indicates that monies are to be trains ferred by the Company to the Parent only for the purpose of purchasing healthcare receivables; from time to time the Company advances amounts to the Parent in advances of application of those amounts to the purchase of healthcare receivables (see Note B). The Company believes, and has been assured by the Parent, that all such advances will be applied in compliance with the Indenture.

The Indenture requires the Company to maintain a certain level of collateral coverage. The level of collateral coverage The level of collateral coverage is measured by comparing the stated value of outstanding purchased healthcare receivables to the aggregate principal amount of Bonds outstanding reduced by cash and cash equivalents. The Indenture also places certain restrictions on the amount of receivables that may be purchased from any one healthcare provider. For purposes of determining compliance with this restriction and the required collateral coverage, the Company considers other advances to the Parent described it Note B and receivables from other affiliates to be eath equivalents. The formula used to determine compliance with the covenant relating to receivables from any one provider is more restrictive in the Indenture than in the private placement memorandum delivered to investors in connection with the sale of the Bonds. The Company believes the formula in the private placement memorandum delivered to investors in connection with the sale of the Bonds.

ties. At June 30, 1992 the Company is in compliance under the less restrictive formula and is not in compliance under the more restrictive formula with respect to one provider.

The Indenture also calls for an acceleration of four principal repayment in the event that during any consecutive three-month period, the aggregate stated value of outstanding purchased healthcare receivables which are not Deligibled Accounts, as defined and which are unpaid after 90 days exceeds 10%, of the average aggregate stated value of all healthcare receivables. For purposes of this provision the Campany considers claims which were not paid as of the expiration of 90 days to be new claims upon resubmission to the healthcare provider. Based on its collection experience relating to healthcare receivables, and the provisions of applicable state laws relating to the payment obligations of third parry obligors, management obligations of third parry obligors, management has cansidered it reasonable to treat unpaid claims, at the expiration of 90 days, as new claims on the assumption that they would have been paid except for insufficient documentation or some other nondisallowing reason. Due to the nature of healthcare receivables and the collection experience previously noted, management believes that, under this interpretation, the Company is in compliance with the 90 day provision described above.

The Company files a consolidated federal income tax return with the Parent Taxes have been provided for us if the Company were filing a separate tax return. Pursuant to a tax sharing agreement, the benefit of the Company's prior year losses utilized by the Parent has been passed on to the Company to offset current taxable income.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Richard A. Eisner & Company

COMERS REAL LOAREN W.

Centified Public Accountants

Towers Healthcare Receivables Funding Corporation-IV New York, New York Board of Directors

We have audited the accompanying balance sheet of Towers Healthcare Receivables Funding Corporation-IV as at June 30, 1992, and the related statements of income and retained earnings, and cash flows for the period from November 18, 1991 (inception) to June 30, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

cepted auditing standards. Those standards require that we plan in the perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We conducted our audit in accordance with generally auditing standards. Those standards require that we plan An audit

the Company

PUBLIC ACCOUNTANTS

ctober 23, 1992

373 Madeson Acone. No. York NY (0022-2305 - Telophone (232-373-1300-3)ac (215-352-281-

Melville, NY Cambridge MA Mallburn 1

5.

CORPORATION-IV BALANCE SHEET RECEIVABLES FUNDING

74 Augioris Digital Para Is Total liabilities Interest payable Deferred income (Note A[2]) Due to Parent (Notes B and D) authorized, I share issued and outstanding Deferred financing costs (Note A[4]) Cash and cash equivalents (Note.D) stock, no par value; 1,000 shares 247,000 S71,339,000 \$42,500,000 \$71,339,000 26,014,000 70**,242,**000 \$6**7,153,**000 1,097,000 1,359,000 2,935,000 230,000 139,000 544,000 703,000 4,000

tend fraktini tende ana singilah	A LAINEU EARNINGS	LINCOME AND RETAINED T	ame before provision for i	el expenses	er operating expenses	ordization	gination fees (Note B)	2	tal revenues	es (Note A[2])			RECEIVABLES FUNDING CORPORATION-IV STATEMENT OF INCOME AND RETAINED EARNINGS
t be founced automotive	INEU FARNINGS	Note E)	vision for income taxes										FUNDING -IV - INCOME - EARNINGS
					147,000	407,000	\$1,769,000 1,663,000						
	\$247,000	180,000	427,000	4.113.000				4,540,000	375,000	.\$4,165,000	NOVEMBER:18,1891 (INCEPTION) 70-JUNE 30,1892	OR THE PERIOD FROM	

Net cash provided by operating activities	Interest payable Other liabilities	Prepaid origination fees Interest receivable	Amortization Changes in cash from changes in:	Net income Adjustments to reconcile net income to net cash provided by operating activities:			RECEIVABLES FUNDING CORPORATION-JV STATEMENT OF CASH FLOWS	TOWERS HEALTHCARE
							SM	100 100 100 100 100 100 100 100 100 100
						FOR		
215,000	139,00 ₀ 230,000	(\$44,000)	147,000	\$247,000	NOTAL SECTION	FOR THE PERIOD FROM NOVEMBER 18, 1991		

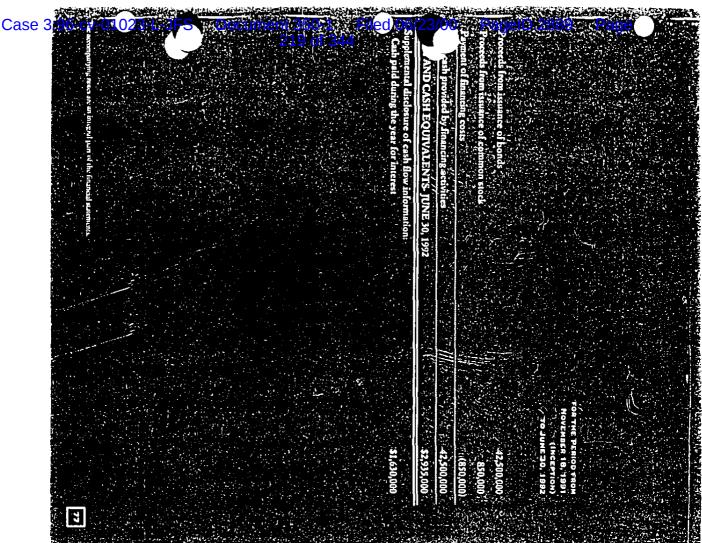


Other advances to Parent

Net eash (used in) investing activities

62,943,000 (101,166,000

(39,780,000 (1,557,000)



NOTES TO FINANC CORPORATION-1V RECEIVABLES FUNDING

Towers Healtheaire Receivables Funding Corporation.

1V (the "Company") in Deliuvare corporation is a whully sweet subsidiary of Towers Ifinancial.

Corporation (the "Purefit"). The Company purchases, from the Parent, healtheare receivables of hospitals and other providers of healtheary services. The obligors of the healtheare receivables purchased are primarily insurance companies and governmental agencies ("third party obligor").

The Company is one of five subsidiaries of the Parent in the business of purchasing healtheare receivables are purchased by each of the five subsidiaries and may also purchase certain healtheare receivables are purchased by each of the five subsidiaries and may also purchase certain healtheare receivables for its

n account. Further, the income and expenses of subsidiaries may vary at the discretion of the rent as described in Note B.

The Company earns a fee of 5% of the collected amount of the healthcare receivables and pays an origination fee of 2% to the Parent (see Note B).

Such fees are recognized as income and expense over the estimated average life of such healthcare

The Company assumes the credit risk of the third party obligion the healthcare provider is charged-back for any collection deficiencies. The Company also assumes the risk of loss if the provider or the Parent does not pay the Company the amount of such deficienties or replace the uncollected receivables with

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care provider appears probable. Through 1992 no credit losses have been incurred.

Casts of \$830,000 incurred in connection with th

the "Agreement"), as compensation for its service in originating, servicing, administering, and collecting the purchased healthcare receivables, the Paren receives fees from the Company.

The amount due to Parent at June 30, 1992 of \$26,014,000 consists of amounts due to Parent for purchased healthcare receivables of \$27,571,000 less \$1,577,000 of amounts advanced to Parent in advance of the application of those amounts to the purchase of healthcare receivables (see Note D[2]).

The Parent manages the Company and four other sub-sidiaries, all of which are in the same business. In an attempt to achieve equitable results among the five entities, the Parent buys and sells receivables within this group. During the year ended June 30, 1992 the Parent repurchased certain healthcare receivables

ducaind payable by a third parry oblique. Amounts scollected from the third parry obliques may be below stated value. In such circumstances the bealthcare vector is required to substitute bealthcare vector and the mount equal to the difference between scalar and collected amounts. Upon purchase a healthcare receivable, a percentage of stated value is advanced to the Parent by the Company for payment to the healthcare provider and the balance of the payment of the healthcare provider and the balance of the payment of the healthcare provider and the balance of the payment of the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the healthcare provider and the balance of the payment to the p

Party obligor.

Rursuant to the terms of the Agreement, the Campany
(18 sequired to pay to the Parent the balance due prior
(16 collection from the third party obligor if i) the
(18 third party obligor is unable to pay for reasons not
(18 third party obligor is unable to pay for reasons not
(18 third party obligor is unable to pay for reasons not
(18 third party obligor is unable to pay for reasons not
(18 third party obligor is unable to the healthcare provider
(18 third party obligor is unable or the healthcare from the pur(18 third party obligor)
(19 third par 18.108.000 from one provider. Two other sub-diaries of the Parent have receivables aggregating 15.124.000 from the same provider. The Company and the two other subsidiaries have collateral in addi-

1996, respectively, in amounts determined by collection of healthcare receivables. Interest on the Bond is payable quarterly at 7.8% per annum and 8.65%

ferred by the Company to the Parent only for the purpose of purchasing healthcare receivables; from time to time the Company advances amounts to the Parent in advance of application of these amounts to the the purchase of healthcare receivables (see Note B). The Company believes, and has been assured by the Parent, that all such advances will be applied in compliance with the Indenture.

The Indenture requires the Company to maintain a certain level of collateral coverage. The level of collateral coverage is measured by comparing the stated value of outstanding purchased healthcare received ables to the aggregate principal amount of Bondsoutstanding reduced by cash and cash equivalents. The Indenture also places certain restrictions on the amount of receivables that may be purchased from any one healthcare provider. For purposes of determining compliance with this restriction and the required collateral coverage, the Company considers.

datter restri-

The Indenture also calls for an acceleration of Joan pān opal repayment in the event that during any consecutive three month period, the apprepate stated value of outstanding purchased healthcare receivables which are not Defaulted Accedents, as defined, and which are unpaid after 90 days exceeds 10% of the awenge aggregate stated value of all healthcare receivables. For purposes of this provision the Company considered than which were rejected for insufficient documentation, or which were not paid as of the expiration of 90 days to be new claims upon resubmission to the healthcare provider. Based on its collection experience relating to healthcare receivables, and the provisions of applicable state laws relating to the payment obligations of third party obligors, management has considered it reasonable to treat unpaid claims, un the expiration of 90 days, as new claims on the assumption that they would have been paid except for insufficient documentation or some other nondisallowing reason. Due to the nature of healthcare receivables and the collection experience revenues to never the receivables.

More 19 - Income Tracks

The Company files a consolidated federal income tax return with the Parent. Tuxes have been provided for as if the Company were filing a separate tax return. Pursuant to a tux sharing aprecement, the benefit of any losses of the Company utilized by the Parent will be passed on to the Company to offset prior or future

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Richard A. Essier & Loc paix

Board of Directors
Towers Healthcare Receivables
Funding Corporation-V
Hew York, Hew York

assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes We have audited the accompanying balance sheet of Towers Healthcare Receivables Funding Corporation-V as at June 10, 1992, and the related statements of operations and deficit, and cash flows for the period from April 21, 1992 (inception) to June 10, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. septed auditing standards. perform the audit to obtain reasonable assurance about whether financial statements are free of material minimizations. We conducted our audit in accordance with generally basis for our opinion.

Apresent fairly, in all material respects, the financial position of Towers Healthcare Receivables Funding Corporation-V at June 30, 1992. The results of its operations and its cash flows for the period from April 23, 1992 (inception) to June 30, 1992 in conformity with Tgenerally accepted accounting principles. In our opinion, the financial statements enumerated above

is a party to an indenture which imposes certain operating restrictions. See Notes B, C and D for further information with respect to such restrictions. As discussed in notes to financial statements, the Company

PUBLIC ACCOUNTANTS

tober 23, 1992

12 Tab 1 -10.00

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2	Net cash (used in) investing activities	Other advances to Parent	Purchases of healthcare receivables Collection of healthcare receivables	Net cash (used in) operating activities	Other liabilities	Interest receivable	Prepaid origination fees	Amartization Changes in each from changes in:	Adjustments to reconcile net loss to net cash (used in) operating activities:	Net los			STATEMENT OF CASH FLO	RECEIVABLES FUNDING CORPORATION-V
The excompanying notes are an in-				5									SWG	
rean mage of part of the frames is traversens	(13,583,000)	(1,505,000)	(12,800,000)	(269,000)	52,000	(49,000)	(351,000)	14,000		\$(2)5,000)	APRIL 23, 1992 (INCEPTION) TO JUNE 30, 1992	FOR THE PERIOD FROM		

Case 3

ncing costs 🔆

1. 数据证据

\$9,148,000

ND CASH EQUIVALENTS JUNE 30, 1992

disclosure of cash flow information:

STATEMENTS NOTES TO FINANCIAL CORPORATION-V

RECEIVABLES FUNDING はいいはないというというにはないのである

Towers Healthcare Receivables, Funding Corporation. V (the "Company"), a Delaware corporation is a wholly owned subsidiary of Towers Financial Corporation (the "Parent"). The Company purchases, from the Parent healthcare receivables of hospituls and other providers of healthcare services. The obligors of the healthcare receivables purchased are primarily insurance companies and governmental agencies ("third parry obligor").

The Company is one of five subsidiaries of the Parent in the business of purchasing healthcare receivables. The Parent controls which healthcare receivables are purchased by each of the five subsidiaries and may also purchase certain healthcare receivables for its own account. Further, the income and two process of

own account. Further, the income and expenses of the subsidiaries may vary at the discretion of the Parent as described in Note B.

The Company earns a fee of 5% of the collected unmount of the healthcare receivables and pays an origination fee of 2% to the Parent (see Note B). Such fees are recognized as income and expense over the estimated average life of such healthcare

The Company assumes the credit risk of the third party obligor; the healthcare provider is charged back for any collection deficiencies. The Company also assumes the risk of loss if the provider or the Parent does not pay the Company the amount of such deficiencies or replace the uncollected receivables with losses will be established in the

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mult by a third

Costs of \$400,000 incurred in connection with the issuance of bonds, of which \$200,000 was paid the Parent, are being amortized over the life of

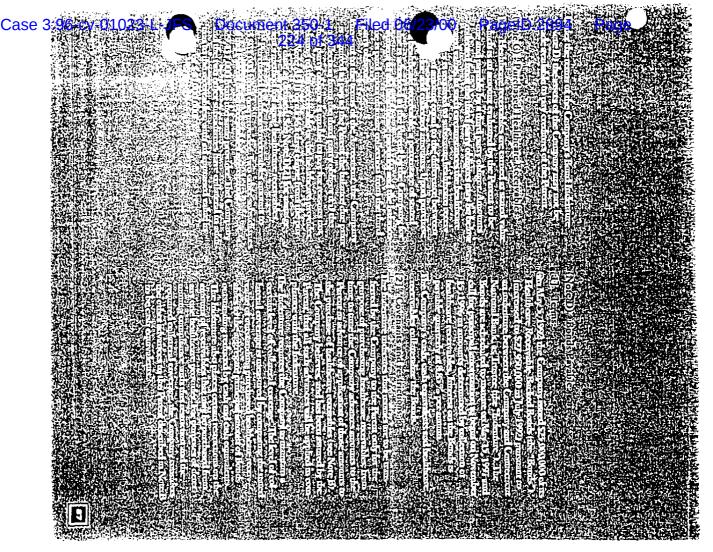
For purposes, of the statement of eash flows, the Company considers debt instruments which it believes to be highly liquid and which have a maturity of three months or less to be eash equivalents

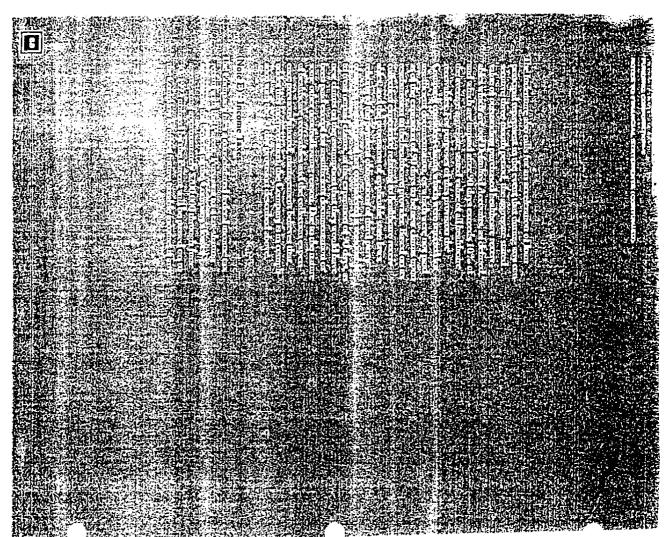
(the "Agreement"), as compensation for its services in originating, servicing, administering, and collecting the purchased healthcare receivables, the Paren receives less from the Company.

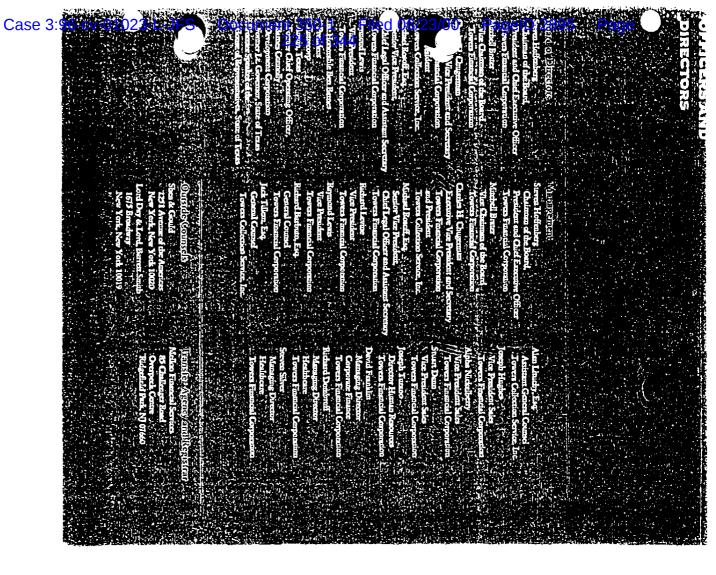
Pursuant to a Master Sale and Servicing Agreemen

The amount due to Parent at June 30, 1992 of \$4,394,000 consists of amounts due to Parent for purchased healthcare receivables of \$5,899,000 less \$1,505,000 of amounts udvanced to Parent in advance of the application of those amounts to the purchase of healthcare receivables (see Note D[2]).

The Parent manages the Company and four other sub-sidiaries, all of which are in the same business. In an attempt to achieve equitable results among the five entities, the Parent buys and sells receivables within from the Company and sold them to its other sub-sidiaries. The Parent also repurchased receivables this group. During the year ended June 30, 1992 the







FINANCIAL

\$100,000,000

Towers Financial Corporation

Subscription Documents



417 FIFTH AVENUE, NEW YORK, NY 10016 (212) 696-0505 TOLL-FREE: (800) 553-3322

INSTRUCTIONS TO SUBSCRIBERS

Accompanying the Offering Document, you will find (i) the Subscription Agreement with signature page in duplicate and (ii) Investor Questionnaire which you must complete in accordance with the following instructions.

1. Investor Questionnaire.

Please read, complete and sign the Investor Questionnaire

2. Subscription Agreement

(a) Please read, complete the Subscription Agreement and sign two copies of the signature page;

DO NOT SIGN THE SUBSCRIPTION AGREEMENT UNLESS YOU ARE CERTAIN YOU CAN MAKE ALL THE REPRESENTATIONS CONTAINED IN THE AGREEMENT. the signature pages.

(b) Have your signature notarized by a notary public on the acknowledgment forms accompanying

3. Purchaser Representative Questionnaire.

must be completed and which is available upon request. If you used the services of a "purchaser representative," the purchaser representative questionnaire

The subscription price is to be paid by check in the amount of \$100,000 per Unit made payable to the order of "Towers Financial Corporation, Funding Account."

Special Instructions for Trustees and Agents.

completed Subscription Agreement (i) a copy of the trust agreement, power of attorney or other instrument granting the power and authority to subscribe, or (ii) an opinion of counsel as to such power and authority. In addition, such persons must indicate on the completed Subscription Agreement the name of the person or entity for whom he is acting as trustee or agent. Trustees, agents or other persons acting in a representative capacity are required to furnish with the

- (a) Receipt of your subscription will be promptly acknowledged by the Company.
- (b) Deliver completed Subscription Documents and payment for the Units to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016. If your subscription is accepted, you will receive shortly thereafter (a) one copy of the Subscription Agreement executed by an officer of the Company and (b) original Promissory Note executed by the Company in the amount subscribed.

01023-L-JFS	Document 350-1 228 of 34	Filed 06/23/00	PageID.2898	Page
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		Investor Questionnaire		
		stionnaire		
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TOWERS FINANCIAL CORPORATION

CONFIDENTIAL: INVESTOR QUESTIONNAIRE

Private Offering of \$100,000,000
of Recourse Promissory Notes of \$100,000 each
For: Accredited Investors Only

The offering of secured recourse non-negotiable promissory notes (the "Promissory Notes") issued by Towers Financial Corporation, a Nevada corporation (the "Company"), as more fully described in the Offering Document, dated October 1, 1990, will be made to Accredited Investors only pursuant to Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act").

The purpose of this questionnaire is to assist the Company in complying with the above requirements. You agree that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the offer and sale of Promissory Notes to you will not result in violation of the exemption from registration under the 1933 Act, described above, or any applicable state securities laws; however, this document will otherwise be kept confidential by the Company.

term "you" shall mean such corporation, partnership, trust or other entity. If you are acting as agent for a corporation, partnership, trust or any other entity, any reference to the

Except as set forth herein, your answers to this questionnaire will, at all times, be kept strictly confiden-

If the answer to any question is "None" or "Not Applicable," please so state.

Please complete this questionnaire as fully as possible, and sign, date and deliver one copy thereof to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016.

PLEASE PRINT

Please provide the following information if you are investing as an individual. (If you are purchasing on behalf of a corporation, partnership, trust, or any other entity, please complete part II below). In addition, please provide the same information for any joint tenant or tenant-in-common:
--

Citizenship (1)	Social Security No. (1)	Home Telephone Number (1)		Permanent Home Address (1)	Date of Birth (1) (2)	Name (1)
(2)	(2)	(2)	(Zip)	(2)	Marital Status (1)	(2)
			(Zip)		(2)	

Case 3:96-cv-

		2 (if joint purchaser)
Names of Employer (1)	(1)	(2)
Nature of Business	(0)	(2)
osition(s)	(1)	(2)
General Duties	(1)	(2)
Business Address	(1)	(2)
Business Telephone Number (1)	Number (I)()	(2) ()
Please describe your sive dates of each) ind ters:	employment positions or occupations o dicating any and all vocationally related	Please describe your employment positions or occupations during the last five years (listing the inclusive dates of each) indicating any and all vocationally related experience in financial and business matters:
Employment, Position or Occupation	Nature of Duties	<u>From:</u> <u>To:</u>
(I)		
(2)		
Are you acting for your own account? If you are not acting for your own acc	Are you acting for your own account? Yes() No() If you are not acting for your own account, please complete the following:	the following:
(i) Capacity	Capacity in which you are acting (Agent, Trustee or Otherwise):	ee or Otherwise):

Ξ Name, address and telephone number of persons you represent:

NOTE: ANY INDIVIDUALS REPRESENTED BY YOU MUST BE QUALIFIED AS "PURCHAS-ERS" PURSUANT TO THE ACT AND SHOULD EACH COMPLETE A COPY OF THIS QUESTIONNAIRE.

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Please attach evidence of authority.

II. Please complete the following if you are investing on behalf of a corporation, partnership, trust or other

Employer Identification No. Name of corporation, partnership, trust or entity.

State and Year of Organization Business Activities_

Business Address_ Business Telephone Number (Zip)

III. PLEASE ANSWER THE FOLLOWING QUESTIONS.

Authorized Person to Contact.

(title)

For Individuals only:

1. At this time, is your individual net worth (or joint net worth with your spouse) in excess of \$1,000,000? Yes () No ()

Did your individual adjusted gross income (increased by any deduction for long term capital gains or depiletion, any exclusion for interest and any losses of a partnership as reported on Schedule E on Form

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	1040) from all sources for each of with spouse \$300,000)?
Yes() No()	1040) from all sources for each of the two taxable years preceding this date exceed \$200,000 (or if jointly with spouse \$300,000)?
	jointly

If you have had income from all sources of \$200,000 (or if jointly with spouse \$300,000) for each of the past two taxable years, do you reasonably expect your income from all sources for the current taxable year to exceed \$200,000 (or if jointly with spouse \$300,000)?

Yes() No()

For Corporations. Charitable Organizations and Partnerships Only:

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If you are a \$01(c\text{C}3) organization, corporation, Massachusetts or similar business trust, or partnership, do you have total assets in excess of \$5,000,000?

Yes () No ()

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For Trusts Only:

If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment herein is directed by a sophisticated person as described in Section 230.506(b)(2)(ii) are your total assets in excess of \$5,000,000?

Yes() No()

For Banks, ERISA plans, SBICs, investment companies under the 1940 Act, etc.: Do you otherwise qualify as an accredited investor under the following definition:

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Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the ment decisions made solely by persons that are accredited investors. either a bank, savings and loan association, insurance company, or registered investment adviser, or if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if subdivisions for the benefits of its employees if such plan has total assets in excess of \$5,000,000; any maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investtion as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institu-

Yes () No ()

tion and belief, and that I (we) will promptly notify the Company of any changes in the foregoing answers.

I (we) acknowledge that the foregoing statements are true and accurate to the best of my (our) informa-

IN WITNESS WHEREOF, I (we) have executed this questionnaire this.

_date of

For all Investors. Please complete the following questions and information requested: Are you aware that the proposed offering of Promissory Notes requires your capital investment to be maintained for the term of your Promissory Note (12-months or 24-months, as the case may be)?

Yes () No()

ç Please indicate the general, business or professional education and the degrees received by you (or, if the purchaser is a corporation, partnership, trust or other entity, by the person completing this questive purchaser is a corporation, partnership, trust or other entity, by the person completing this question. tionnaire on its behalf).

(Signature of Joint Tenant or Tenant-in-Common, if applicable)

Print Name of Joint Tenant or Tenant-in-Common, if applicable)

(Print Name) (Signature)

10. H # 4.H	æ	2	2	2	25	99	1 1	
Indicate in the space provided below determining that your knowledge and determining to evaluate the merits and ris able you to evaluate the merits and ris Document of which this forms a part.	(e) Frequency of investment in illiquid securities: often (); occasionally (); seldom ();	d) Frequency of investment is often (): occasion:	(c) Frequency of investment in options: often (); occasionally (); se	(b) Frequency of investment in commodities futures often (); occasionally (); seldom (); ne	(a) Frequency of investment in marketable securities: often (); occasionally (); seldom (); nev	Investment Experience:		College
10. Indicate in the space provided below, any additional information which you think may be helpful in determining that your knowledge and experience in financial and business matters is sufficient to enable you to evaluate the merits and risks of investing in the securities offered pursuant to the Offering Document of which this forms a part.	ncy of investment in illiquid securities: often (); occasionally (); seldom (); never ().	(d) Frequency of investment in securities purchased on margin: often (); occasionally (); seldom (); never ().	ncy of investment in options: often (); occasionally (); seldom (); never ().	ncy of investment in commodities futures: often (); occasionally (); seldom (); never ().	ncy of investment in marketable securities: often (); occasionally (); seldom (); never ().			Degree Received
which you think may be helpful in usiness matters is sufficient to ensemble offering offered pursuant to the Offering								Year

Signature

Please also complete and execute the following balance sheet or supply a substitute balance sheet as of a current date which should include an original signature of a duly authorized representative.

BALANCE SHEET

Page

:	,		
Cash value of life insurance policies:			
Market value of listed securities:		Margin Amount	•
Market value of unlisted securities:		c	
Market value of		Encumbrances	
Residence:		on Real Estate	
Other:		Other:	
Accounts Receivable:		Accounts Payable: (include all amounts due to	
		others, including credit cards,	
		debts)	
Automobiles:		Automobile Loans:	
Other Assets:		Other Debts:	
TOTAL ASSETS NET WORTH		TOTAL LIABILITIES	
I confirm that the al	I confirm that the above balance sheet is true, correct and accurate.	, correct and accurate.	

	Subscription Agreement	

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Towers Financial Corporation TOWERS FINANCIAL CORPORATION SUBSCRIPTION AGREEMENT

New York, New York 10016 417 Fifth Avenue

FINANCIAL CORPORATION, a Nevada corporation (the "Company"), as more fully described in the offering document, dated October 1, 1990 (the "Offering Document"), and I agree to pay for the Fromissory I hereby subscribe to purchase the number of secured recourse non-negotiable promissory notes which are set forth in Article "II" of this Subscription Agreement (the "Promissory Notes") issued by TOWERS Each of the capitalized terms which are used in this Subscription Agreement shall have the same meaning as those terms have in the Offering Document. Notes subscribed for by me in the manner which is described in Article "2" of this Subscription Agreement.

ikin at the sole discretion of the Company). I am herewith tendering payment for the subscribed for Promissory Notes by regular, bank or certified check payable to "Towers Financial Corporation, Funding Account" equal to \$100,000 per Promissory Note (or such fraction thereof that is permitted by the Company) Ņ The purchase price for each Promissory Note (the "Subscription Price") is \$100,000 (subject to reduc-

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promptly to me without interest and without deduction of escrow costs. Upon receipt of such funds I will discretion of the Company). If my subscription is not accepted, all funds paid by me will be returned whereupon the excess funds tendered by me will be promptly returned. and absolute discretion of the Company, less than the full amount subscribed for by me may be accepted, forthwith return the Offering Document and all other subscription documents to the Company. In the sole I understand that the offering will terminate on or before January 31, 1991 (subject to extension at the

upon the Company until the funds paid by me herewith are submitted to the Company, clear and are credalso understand and agree that my subscription to purchase Promissory Notes shall not be deemed binding ited to the Funding Account. It is understood that this subscription is not binding unless and until it is accepted by the Company. I

Representations and Warranties of the Undersigned.

or by any person acting on behalf of the Company, with respect to the sale of the Promissory Notes and/or the investment made thereby, and that I have not relied upon any information concerning the offering, writing Document, no representations or warranties have been made to me, or to my advisors, by the Company, ten or oral, other than that contained in the Offering Document. including all attachments and exhibits thereto. I further acknowledge that, except as set forth in the Offer-I acknowledge that I have received, read, understand, and am familiar with the Offering Document,

Questionnaire relating to my general ability to bear the risks of the investment being made hereby and my suitability as an Investor, and I hereby affirm the correctness of my answers in such questionnaire. I further acknowledge that I have received, completed and returned to the Company, the Purchaser

I further represent and warrant to the Company, Counsel to the Company, and their respective Affili-

have sufficient liquid assets to pay the full purchase price for each Promissory Note in the manner contemplated by the Offering Document; (ii) have adequate means of providing for my current needs and (a) I can bear the economic risk of this investment and can afford a complete loss thereof; and I (i)

> defined in Regulation D which was promulgated under the 1933 Act as follows: tor Questionnaire delivered simultaneously herewith; and (iv) qualify as an "Accredited Investor" as sory Notes: (iii) have a net worth presently of at least an amount indicated by me in Part III of my Invespossible personal contingencies, and have no present need for liquidity of my investment in the Promis-

- Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance com-pany, or registered investment adviser, or if the employee benefit plan has total assets in excess of any plan established and maintained by a state, its political subdivisions, or any agency or instruin Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary ment Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retire-Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; tered under the Investment Company Act of 1940 or a business development company as defined 1934; any insurance company as defined in Section 2(13) of the Act; any investment company regisaccredited investors; \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are mentality of a state or its political subdivisions for the benefit of its employees, if such plan has total
- Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

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- ing the securities offered, with total assets in excess of \$5,000,000; Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquir-
- Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer,
- Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;
- Any natural person who had an individual income in excess of \$200,000 in each of the two most and has a reasonable expectation of reaching the same income level in the current year; recent years or joint income with that person's spouse in excess of \$300,000 in each of those years
- Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring 230.506(b)(2)(ii); and the securities offered, whose purchase is directed by a sophisticated person as described in Section

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Any entity in which all of the equity owners are accredited investors

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- other persons with whom I have found it necessary or advisable to consult, have sufficient knowledge all tax, financial, recording, and securities law aspects thereof. I, my counsel, my advisors, and such sonally selected by me, as I found necessary to consult concerning the purchase of the Promissory Notes, and such representation has included an examination of applicable documents and an analysis of Document, and the risks of the investment, and to make an informed investment decision with respect and experience in business and financial matters to evaluate the information set forth in the Offering (b) I have been represented by such legal and tax counsel and others, each of whom has been per
- personal tax advisors, and upon my own knowledge with respect thereto (c) With respect to the tax aspects of my investment, I am relying solely upon the advice of my own
- the date hereof. I have had the opportunity to ask questions of, and to receive answers from, the Com (d) Any and all information has been made available to me, my counsel and my advisors, prior to

pairy, and its representatives, concerning the terms and conditions of the offering and access to any information, documents, financial statements, records and books (i) relating to the Company, the purchase of the Promissory Notes and the offering, and (ii) necessary to verify the accuracy of any information furnished to me. All materials and information requested by either me, my counsel, my advisors or others representing me, including any information requested to verify any information furnished, have been made available and examined.

(e) I understand that the offering has not been registered under the Securities Act of 1933, as

- (e) I understand that the offering has not been registered under the Securities Act of 1933, as amended (the "1933 Act"), nor pursuant to the provisions of the securities or other laws of any other applicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) of the 1933 Act, Regulation D promulgated thereunder and the laws of such jurisdictions. I am fully aware that the Promissory Notes subscribed for by me are to be sold to me in reliance upon such exemptions based upon my representations, warranties and agreements. I am fully aware of the restrictions on sale, transferability and assignment of the Promissory Notes, as more fully set forth in the Offering Document, and that I must bear the economic risk of my investment herein for an indefinite period of time because the offering has not been registered under the 1933 Act and, therefore, the Promissory Notes cannot be offered or sold unless the offering is subsequently registered under the 1933 Act or an exemption from such registration is available.
- (f) My execution and delivery of this Subscription Agreement has been duly authorized by all necessary action. I will not pledge, transfer or assign this Subscription Agreement or the Promissory Notes which I acquire pursuant to this offering without complying with the procedures set forth in the Offering Document. I am making the investment hereunder for my own account and not for the account of others and for investment purposes only and not with a view to or for the transfer, assignment, resale or distribution thereof, in whole or in part. I have no present plans to enter into any such contract, undertaking, agreement or arrangement.
- (g) I agree that I shall not cancel, terminate or revoke this Agreement or any other agreement executed by me with respect to the purchase of a Promissory Note, and that this Subscription Agreement shall survive my death or disability, except as pursuant to the laws of the applicable jurisdiction.
- (h) I am aware that the purchase of a Promissory Note is a speculative investment involving a significant degree of risk and that there is no guarantee that I will realize any gain from my investment.
- (i) The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction prior to my purchase of the Promissory Note.
- (i) I understand the meaning and legal consequences of the foregoing representations and warranties, which are true and correct as of the date hereof and will be true and correct as of the date of my purchase of the Promissory Note subscribed for herein. Each such representation and warranty shall survive such purchase.

Indennificatio

I hereby agree to indemnify and hold harmless the Company, Counsel, and their Affiliated persons from any and all damages, losses, costs and expenses (including attorneys' fees and disbursements) which they, or any of them, may incur by reason of my failure, or alleged failure, to fulfill any of the terms and conditions of this subscription or by reason of my breach of any of my representations and warranties contained herein.

Blue Sky Representations.

- (a) Residents of any State. I have read the jurisdictional notice applicable to the State of my residence which appears in Article "10" of this Subscription Agreement.
- (b) Residents of Florida. I hereby acknowledge that I have the right, pursuant to Section 517.061(11)(a)(3) of the Florida Securities Act, to withdraw my subscription and receive a full refund of all monies paid by me to the Company within three business days after the execution of this Subscription

Agreement or payment for the Promissory Notes has been made, whichever is latter. Withdrawal will be without as your price is latter to reteigram to the Company, indicating my intention to withdraw. I acknowledge that such letter or telegram should be sent or postmarked prior to the end of the aforementioned third business day. I have also been informed that it is prudent to send such letter by certified mail, return receipt requested, to ensure that it was received and also to evidence the time when it was mailed. I also understand that should I make this request orally (either in person or by telephone), I must request written confirmation that such request by me has been received.

(c) Residents of Michigan. 1 agree that I will not sell or transfer my Promissory Note(s) except in a transaction which is exempt under the Michigan Securities Act or pursuant to an effective Registration Statement under the Michigan Securities Act.

I acknowledge that I have received the Offering Document and am aware of the following:

- (i) The intended use of the proceeds of this Offering:
- (ii) The current financial condition of the Company;
- (iii) The direct or indirect compensation which has been or will be received by the Company and its Affiliates from this Offering;
- (iv) The securities being offered hereunder are Promissory Notes and the purchase price therefore is \$100,000 per Promissory Note; and
- (v) I or my representative may inspect the books and records of the Company which relate to the Funding Account and the purchase and collection of the Accounts Receivable.
- (d) Residents of Pennsylvania. Pursuant to the Pennsylvania Securities Act, Section 207(m), each Pennsylvania resident may elect, within two business days of the date of execution, to withdraw from this Subscription Agreement and to receive a full refund of all funds paid on account of this subscription together with copies of the signature pages of the Agreement. Such withdrawal shall be without any further liability to any person. To accomplish this withdrawal, I need only to send a letter or telegram to the Company, indicating my intention to withdraw. Such letter or telegram must be sent or postmarked prior to the end of the aforementioned second business day. If I send a letter, I understand that it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also to evidence the time when it was mailed. Should I make this request orally in person or by telephone to the Company, I understand that I must ask for written confirmation that my request has been received. I agree not to sell or transfer any of the Promissory Notes for a period of at least twelve months from the date of purchase.
- (e) Residents of Texas. Lagree that I will not sell or transfer my Promissory Notes except in a transaction which is exempt under the Texas Securities Act or pursuant to an effective Registration Statement under the Texas Securities Act.

7. Acceptance by the Company

Except as set forth herein, this Subscription Agreement is irrevocable. It is subject to all of the terms and provisions contained in the Offering Document. It may be accepted, in whole or in part, by the Company executing this Agreement, and mailing a duplicate copy to the undersigned. The Company reserves the right in its sole discretion to reject this subscription in whole or in part.

8. General Provisions.

Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with, and governed by the laws of the State of New York applicable to contracts fully to be performed therein, may not be modified or waived except in writing, and is subject to all of the terms and provisions contained in the Offering Document.

CONTRARY IS A CRIMINAL OFFENSE.

- (a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned at the address which is set forth below and to the Company at 417 l'Ith Avenue, New York, New York 10016.
- (b) This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties.
- (c) The Company, counsel, and their respective Affiliates shall not be liable for taking any action pursuant to this Agreement in the absence of gross negligence, misfeasance, malfeasance or fraud.
- Jurisdictional Notices and Representations.

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It should be noted that the inclusion of a notice under state securities laws below should not be construed to mean that the Promissory Notes have been cleared or are otherwise available for sale in that state. The Company will maintain a list, which will be available upon request, of those states in which offers and sales of Promissory Notes can be made.

DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER-DEALERS MUST CONFIRM WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION.

IN ADDITION, SOME STATES' DEFINITION OF "ACCREDITED INVESTOR" DIFFERS FROM

THE DEFINITION SET FORTH AT SECTION 4(a) OF THIS SUBSCRIPTION AGREEMENT. THERE FORE, IT IS IMPERATIVE THAT BROKER-DEALERS VERIFY THAT POTENTIAL INVESTORS QUALIFY AS "ACCREDITED INVESTORS" IN SUCH STATE.

FOR ALABAMA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE

FOR ALASKA RESIDENTS ONLY: THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF 3 AAC 08:500-3 AAC 08:506. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THE OFFERING DOCUMENT SINCE THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS. RECOMMENDED OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF AS 45:55:170.

THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT TO A.R.S. SECTION 44-1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINDING BY THE ARIZONA CORPORATION COMMISSION THAT THE OFFERING DOCUMENT IS TRUE OR ACCURATE, NOR DOES SUCH GRANT OR EXEMPTION MEAN THAT THE COMMISSION HAS PASSED UPON THE MERTIS OF OR OTHER WISE APPROVED THE SECURITIES DESCRIBED HEREIN.

FOR ARKANSAS RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 23-42-504(x)(4) OF THE ARKANSAS SECURITIES ACT AND RULE 5% OF REGULATION DEPROMULGATIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION, NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR CALIFORNIA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION IS REQUIRED.

FOR COLORADO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1931 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD. TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED.

FOR CONNECTICUT RESIDENTS ONLY: THE SECURITIES REFERRED TO IN THE OFFER-ING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT, AND, THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UNDER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT ON AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR FLONDA RESIDENTS ONLY: FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES ARE MADE TO FIVE OR MORE PERSONS PURSANT TO SECTION 517.061(11)(3)(3)(5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE BY THE PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COMPANY OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE 3E500.005(5)(a)(12)).

FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CONSENT DECREE ENTERED INTO BY TOWERS FINANCIAL CORPORATION ("TOWERS") DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED OCTOBER I, 1990, PROVIDES THAT TOWERS IS PERMANENTLY ENJOINED FROM VIOLATING THE SECURITIES LAWS AND THAT TOWERS IS SUBJECT TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF GEORGIA, THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMMISSION HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO ALL GEORGIA OFFEREES.

FOR IDAHO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UN-ER THE IDAHO SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANS-

FERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR ILLINOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT REFN APPROVED ON

FOR ILLINOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOILD PURSULANT TO

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OF THE INDIANA CODE. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

FOR LOUISIANA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF LOUISIANA AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR MARYLAND RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

FOR MICHIGAN RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE UNDER THE UNIFORM SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE

FOR MICHIGAN RESIDENTS ONLY: THESE SECURTIES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURTIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$50,000.

FOR MINNESOTA RESIDENTS ONLY: THESE SECURITIES REPRESENTED BY THIS OF-FERING HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECU-RITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF

FOR MISSISSIPPI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFER ABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR MISSOURI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFTERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR

STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR NEW JERSEY RESIDENTS ONLY: THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERT'S OF THE OFFERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL

FOR NEW MEXICO RESIDENTS ONLY: THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO. ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PÁSSED UPON THE VALUE OF THESE SICURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE OFFERING DOCUMENT.

FOR NORTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ONTHEIR OWNEXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHER MORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BETRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR PENNSYLVANIA RESIDENTS ONLY: PURSUANT TO SECTION 207(m) OF THE PENN. SYLVANIA SECURTITES ACT OF 1972. EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSUANT TO THE OFFERING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE, WITHOUT INCURRING ANY LIABILITY TO THE CONPANY, ITS AFFILATES OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WRITTEN BINDING CONTRACT OF PURCHASE (SUBSCRIPTION AGREEMENT). TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM SHOULD BE SENT FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSITMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY, IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST OR ALLY, HE SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS REFUNDED RECEIVED.

IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNSYLVANIA HEREBY AGREE THAT THEY WILL WILL NOT SELL, TRANSFER OR SUBDIVIDE THE UNITS PURCHASED HEREIN UNTIL AT LEAST ONE (I) YEAR FROM THE DATE OF PURCHASE.

FOR SOLTH CAROLINA RESIDENTS ON IN ACCREDITION OF THE DESIGN WAS ASSOCIATED TO SECURIVE
FOR SOUTH CAROLINA RESIDENTS ONLY. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTI'S AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITHES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR SOUTH DAKOTA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47:31A, WITH THE DIRECTOR OF THE DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING IS TRUE, COMPLETE, AND NOT MISLEADING; NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

WITH THE STATE OF TENNESSEE AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE. AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE AS A CONDITION OF REGISTRATION, THE STATE OF TENNESSEE HAS IMPOSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS. PURSUANT TO THOSE STANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT LEAST \$250,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES, AND MUST HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR AND BE EXPECTED TO HAVE A GROSS INCOME OF \$65,000.00 DURING THE CURRENT TAX YEAR, OR ALTERNATIVELY A NET WORTH OF AT LEAST \$500,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES. ADDITIONALLY, UNDER THIS SUITABILITY STANDARD, EACH NATURAL PERSON'S INVESTMENT MUST NOT EXCEED TEN PERCENT (10%) OF HIS NET WORTH.

THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DEFINED IN SECTION 501 (a) (1) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE OFFER-ING DOCUMENT AT "TERMS OF INVESTMENT." THE ACCREDITED INVESTOR STANDARD IS GENERALLY MORE RESTRICTIVE THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE (AND THE MINIMUM SUITABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO ACCREDITED INVESTORS.

FOR TEXAS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR UTAH RESIDENTS ONLY: THESE SECURTITES HAVE NOT BEEN REGISTERED UNDER THE UTAH UNIFORM SECURTITES ACT AND, THEREFORE, CANNOT BE RESOLD OR

TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THE OFFERING DOCUMENT OR UPON THE MERITS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY.

FOR WASHINGTON RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER REGULATORY AUTHORITY. FURTHER MORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

- 11. Information Relating to My Investment.
- (a) Number of Promissory Notes
 (at a price of \$100,000 per Promissory Note)
- Term of Promissory Notes _____12 months _____24 months
- Payment Tendered Herewith: (\$100,000 times number of Promissory Notes) \$ _____
- (d) Additional Documents Required:

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- Investor Questionnaire; and
- (ii) Community Property Designation (if applicable) from Page __ of this Subscription Agreement.

Name of Joint Tenant or Tenant-in-Common, if applicable.

TO BE COMPLETED BY ALL SUBSCRIBERS:

Residence Address to which information regarding this subscription should be mailed: Paul E. Hefer, Trustee

Street Address @14₎ 576 1574 City and State 13677 River "alley Court Chesterfield, NO 6301 Zip

Social Security Number or Employer Identification Number Telephone Number 37 0960892

Social Security Number or Employer Identification Number of Joint Tenant or Tenant-in-Common, if applicable

37 0960892

IN WITNESS WHEREOF, 1 (we) have executed this Subscription Agreement this 26 they of September, 1991.

ENTITIES:

Name of Entity (Please Print)

[Corporate Seal (if applicable)]

TOWERS EXPANCIAL CORPORATION ACCEPTED AND AGREED TO THIS
11 DAY OF October, 1991

Paul E. Heier, Trustee

Name (Please Print)

Me in Gunter

INDIVIDUAL:

Signature and Title

Vice Chairman and Chief Operating Officer iell Brater,

Term of Promissory Notes:

イナー

Accepted:

Number of Promissory Notes 1 10 175

> COUNTY OF STATE OF SS.:

On 19 before me personally appeared being by me duly sworn, did depose and say that (s)he is the

STATE OF MISSOURI COUNTY OF Stilbers SS:

knowledged that (s)he (they) executed the same.

[TYDOMAID [TYDOMI]

[CORPORATE] HALTON E, METALER

BT. LOUIS COUNTY
HT COTTUSSION EXP. 328 6,1992 HOTARY PUBLIC STATE OF HISSOLES

Notary Public

affixed to said Agreement is such corporate seal; that it was so affixed by authority of the corporation; and cuted the foregoing Subscription Agreement, that (s)he knows the seal of said corporation; that the seal

corporation, the corporation which exe-

, to me known and who,

that (s)he signed his (her) name thereto by like authority.

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The state of the s

NON-NEGO ABLE RECOURSE PROMISSORY NOTE OCTOBER TOV "ERS FINANCIAL CORPORATION SER 1999 PRIVATE OFFERING DOCUMENT

"Payee"), its successors and assigns. It a principal sum which is indicated at the end of this Note, together with interest on the unpaid principal. I lance at the rate of interest which is set forth at the end of this Note. promises to pay to the order of the p + on whose name and address are set forth at the end of this Note (the "Payee"), its successors and assigns. The principal sum which is indicated at the end of this Note, together from the date of this Note (the date of : it's Note is set forth at the end of this Note) through and including the For value received, TOWERS For IANCIAL CORPORATION, a Nevada corporation (the "Maker").

date of final payment hereunder. Note (the "Maturity Date"). Principal hereunder shall be du and payable in full on the date which is indicated at the end of this

Payment of principal and interes sunder this Note shall be made in lawful money of the United States of

actual number of days elapsed and slottle be payable monthly [or quarterly] commencing with the interest be notified to the maker by the Payer. Interest shall be calculated on the basis of a year of 365 days for the payment which is due thirty (30) day: from the date of this Note. America to the Payee at the address * is ch is set forth at the end of this Note or at such other location as shall Motwithstanding anything to the contrary which is provided for herein, the rate of interest which is pro-

legal rate of interest, the Maker shall it erequired to pay only the maximum legal rate of interest. vided for hereunder shall not exceed $\|b\|$ maximum legal rate of interest which is permitted pursuant to applicable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum

ing Document. this Note is subject to all of the terms, \odot inditions, obligations and provisions which are set forth in the Offer-This Note has been issued pursuan to the Offering Document dated October 1, 1990 of the Maker, and

The holder of this Note shall be a mitted to all of the benefits provided for in the security agreement (the "Security Agreement") which was eximuted by the Maker in Tayor of the Payee and other similarly situated payees. Neither this reference to the Sincurity Agreement nor any provision thereof shall affect or impair the obligations of the Maker which are provided for herein.

accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable under any law shall not affect the validing of any other provision hereof. The Payee agrees that any action of proceeding to enforce this Note shall 🦙 brought in a court of competent jurisdiction located in the State and This Note is made and delivered in the State of New York and shall be governed by, and construed in

County of New York.

the party against whom enforcement - r any waiver, change, modification or discharge is sought. This Note may not be changed or lemminated orally, but only by an agreement in writing and signed by

IN WITNESS WHEREOF, the under ligned has executed this Note as of the Iday of Oct., 19 91

Date of Note: September 3019 9

Print Name(5) Paul E. Meier, TTEE

Address Valley Court

Chasterfield, MO 63017.
City, State and Zip Code

Mildhell Braiec TOWERS FINANCIAL CORPORATION

Principal Amount of Note: \$ 100,000.00

Vict Chairman and Chief Operating Officer

Period to Maturity: 24 Months

Maturity Date: September 30, 1993

Rate of Interest: 15 % per annum

This Promissory Note has not been rive stered under the Securities Act of 1933, as amended, and may not be sold or otherwise transfered in the absence of such registral in not an exemption therefrom under such Act or state securities faw. Furthermore, this Promissory Note may be sold or otherwise "ransferred only in compliance with the conditions specified in the Offering Document of Maker, a complete and correct copy of inch a residual for impection at the principal office of Maker and will be furnished without charge to the holder of this Provinceory Note upon written request.

\$100,000,000

Towers Financial Corporation

Subscription Documents



417 FIFTH AVENUE, NEW YORK, NEW YORK 10016 (212) 696-0505

INSTRUCTIONS TO SUBSCRIBERS

Accompanying the Offering Document, you will find (i) the Subscription Agreement with signature page in duplicate and (ii) Investor Questionnaire which you must complete in accordance with the following

Investor Questionnaire.

Please read, complete and sign the Investor Questionnaire.

- Subscription Agreement. (a) Please read, complete the Subscription Agreement and sign two copies of the signature page;
- the signature pages. (b) Have your signatures notarized by a notary public on the acknowledgment forms accompanying

DO NOT SIGN THE SUBSCRIPTION AGREEMENT UNLESS YOU ARE CERTAIN YOU CAN MAKE ALL THE REPRESENTATIONS CONTAINED IN THE AGREEMENT.

3. Furchaser Representative Questionnaire.

must be completed and which is available upon request. If you used the services of a "purchaser representative," the purchaser representative questionnaire

4. Payment.

The subscription price is to be paid by check in the amount of \$100,000 per Unit made payable to the order of "Towers Financial Corporation, Funding Account."

Special Instructions for Trustees and Agents.

Trustees, agents or other persons acting in a representative capacity are required to furnish with the completed Subscription Agreement (i) a copy of the trust agreement, power of attorney or other instrument granting the power and authority to subscribe, or (ii) an opinion of counsel as to such power and authority. In addition, such persons must indicate on the completed Subscription Agreement the name of the person or entity for whom he is acting as trustee or agent.

6. Acceptance of Subscription.

Deliver completed Subscription Documents and payment for the Units to Towers Financial Corpora-tion, 417 Fifth Avenue, New York, New York 10016. If your subscription is accepted, you will receive shortly thereafter (a) one copy of the Subscription Agreement executed by an officer of the Company and (b) original Promissory Note executed by the Company in the amount subscribed.

01023-L-JFS	Document 350-1 240 of 34	Filed 06/23/00	PageID.2910	Page
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		Investor Questionnaire		
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TOWERS FINANCIAL CORPORATION

CONFIDENTIAL: INVESTOR QUESTIONNAIRE

Private Offering of \$100,000,000 of Recourse Promissory Notes of \$100,000 each For: Accredited Investors Only

The offering of secured recourse non-negotiable promissory notes (the "Promissory Notes") issued by Towers Financial Corporation, a Delaware corporation (the "Company"), as more fully described in the Offering Document, dated October 15, 1991, will be made to Accredited Investors only pursuant to Regulation D promulgated under the Securities Act of 1933, as amended (the "1933 Act").

The purpose of this questionnaire is to assist the Company in complying with the above requirements. You agree that the Company may present this questionnaire to such parties as it deems appropriate in order to be assured that the offer and sale of Promissory Notes to you will not result in violation of the exemption from registration under the 1933 Act, described above, or any applicable state securities laws; however, this document will otherwise be kept confidential by the Company.

If you are acting as assent for a corporation, partnership, trust or any other entity any reference to the

If you are acting as agent for a corporation, partnership, trust or any other entity, any reference to the term "you" shall mean such corporation, partnership, trust or other entity.

Except as set forth herein, your answers to this questionnaire will, at all times, be kept strictly confiden-

If the answer to any question is "None" or "Not Applicable," please so state.

Please complete this questionnaire as fully as possible, and sign, date and deliver one copy thereof to Towers Financial Corporation, 417 Fifth Avenue, New York, New York 10016.

PLEASE PRINT

Citizenship (1)	Social Security No. (1)	Home Telephone Number (1)		Permanent Home Address (1)	Date of Birth (1)	Name (I)
(2)	(2)) (2) ((Zip)	(2)	(2) Marital Status (1)	(2)
			(Zip)		(2)	

Case 3:96-cv-

Advisor/Broker-Dealer/Registered Investment Adviser

		2	(if joint purchaser)	haser)
Names of Employer (1)	Θ	(2)		
Nature of Business	Ω	(2)		
Position(s)	(i)	(2)		
General Duties	(E)	(2)		
Business Address	(C)	(2)		
Business Telephone Number	Number (1)()		(2) ()	
Please describe your dates of each) indicat	Please describe your employment positions or occupations during the last five years (listing the inclusive dates of each) indicating any and all vocationally related experience in financial and business matters:	cupations during the last related experience in fir	five years (listi iancial and bus	ig the inclusive liness matters:
Employment, Position or Occupation (1)		Nature of Dutics	From:	<u>To:</u>
(2)				
Are you acting for your own account? If you are not acting for your own acc	Are you acting for your own account? Yes() No() If you are not acting for your own account, please complete the following:	No() No() sse complete the following	8 .	
(i) Capacity	Capacity in which you are acting (agent, trustee or otherwise):	gent, trustee or otherwi	Ÿ.	
•				

Please attach evidence of authority.	

 Please complete the following if you are investing on behalf of a corporation, partnership, trust or other entity.

TIONNAIRE.

III. PLEASE ANSWER THE FOLLOWING QUESTIONS.

Authorized Person to Contact.

[(mile)

For Individuals only:

1. At this time, is your individual net worth (or joint net worth with your spouse) in excess of \$1,000,000?

Yes () No ()

Did your individual adjusted gross income (increased by any deduction for long term capital gains or depletion, any exclusion for interest and any losses of a partnership as reported on Schedule E on Form ب

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1040) from all sources for each of the two taxable years preceding this date exceed \$200,000 (or if jointly with spouse \$300,000)?

Yes () No ()

If you have had income from all sources of \$200,000 (or if jointly with spouse \$300,000) for each of the past two taxable years, do you reasonably expect your income from all sources for the current taxable year to exceed \$200,000 (or if jointly with spouse \$300,000)?

Yes () No ()

For Corporations, Charitable Organizations and Partnerships Only:

If you are a \$01(c)(3) organization, corporation, Massachusetts or similar business trust, or partnership, do you have total assets in excess of \$5,000,000?

Yes () No ()

For Trust Only,

If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment herein is directed by a conhecious described in Section 200 COCA VICTOR.

If you are a trust (not formed for the specific purpose of acquiring the securities offered) and your investment herein is directed by a sophisticated person as described in Section 230.506(b)(2)(ii) are your total assets in excess of \$5.000.000?

Yes () No ()

For Banks, ERISA plans, SBICs, investment companies under the 1940 Act, etc.

Do you otherwise qualify as an accredited investor under the following definition:

Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(3)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1938; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefits of its employees if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

Yes () No ()

For all Investors. Please complete the following questions and information requested:

Are you aware that the proposed offering of Promissory Notes requires your capital investment to be maintained for the term of your Promissory Note (12-months, 24-months or 36-months, as the case may be)?

Yes () No ()

 Please indicate the general, business or professional education and the degrees received by you (or, if the purchaser is a corporation, partnership, trust or other entity, by the person completing this questionnaire on its behalf).

10.						ر مب	ı	 !
Indicate in the space provided be termining that your knowledge a you to evaluate the merits and ris you to evaluate the merits and ris ment of which this forms a part.	(e) Frequency of investment in illiquid securities: often (); occasionally (); seldom ();	(d) Frequency of investment in often (); occasiona	(c) Frequency of investment in options: often (); occasionally (); se	(b) Frequency of investment in commodities futures: often (); occasionally (); seldom (); ne	(a) Frequency of investment in marketable securities: often (); occasionally (); seldom (); nev	Investment Experience:		College
elow, any additional information what of experience in financial and bus sks of investing in the securities offer.	ncy of investment in illiquid securities: often (); occasionally (); seldom (); never ().	(d) Frequency of investment in securities purchased on margin: often (); occasionally (); seldom (); never ().	ncy of investment in options: often (); occasionally (); seldom (); never ();	ncy of investment in commodities futures: often (); pocasionally (); seldom (); never ().	ncy of investment in marketable securities: often (); occasionally (); seldom (); never ().			Degree Received
Indicate in the space provided below, any additional information which you think may be helpful in determining that your knowledge and experience in financial and business matters is sufficient to enable you to evaluate the merits and risks of investing in the securities offered pursuant to the Offering Document of which this forms a part.								<u>Year</u>

(Print Name of Joint Tenant or Tenant-in-Common, if applicable)	(Print Name)
(Signature of Joint Tenant	(Signature)
or	

Place of Execution:

I (we) acknowledge that the foregoing statements are true and accurate to the best of my (our) information and belief, and that I (we) will promptly notify the Company of any changes in the foregoing answers.

IN WITNESS WHEREOF, I (we) have executed this questionnaire this _____ date of .

Automobiles:
Other Assets:

Automobile Loans:
Other Debts:

TOTAL ASSETS
NET WORTH

TOTAL LIABILITIES

I confirm that the above balance sheet is true, correct and accurate.

Signature

Please also complete and execute the following balance sheet or supply a subminute balance sheet as of a current date which should include an original signature of a duly authorized representative.

BALANCE SHEET

Page

Assels

Liabilities

Cash on hand:
Cash value of
life insurance
policies:

Market value of listed securities:
Market value of

Margin Amount

unlisted securities:

Market value of real estate Residence:
Other:

Encumbrances on Real Estate Residence:
Other:

Accounts Receivable:

Accounts Payable:
(include all amounts due to
others, including credit cards,
debts and other unsecured
debts)

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·	Subscription Agreement	

TOWERS FINANCIAL CORPORATION SUBSCRIPTION AGREEMENT

헑 **Towers Financial Corporation** New York, New York 10016 417 Fifth Avenue

1. Subscription.

FINANCIAL CORPORATION, a Delaware corporation (the "Company"), as more fully described in the offering document, dated October 15, 1991 (the "Offering Document"), and lagree to pay for the Promissory Notes subscribed for by me in the manner which is described in Article "2" of this Subscription Agreement. Each of the capitalized terms which are used in this Subscription Agreement shall have the same meaning as I hereby subscribe to purchase the number of secured recourse non-negotiable promissory notes which are set forth in Article "11" of this Subscription Agreement (the "Promissory Notes") issued by TOWERS those terms have in the Offering Document.

to \$100,000 per Promissory Note (or such fraction thereof that is permitted by the Company). at the sole discretion of the Company). I am herewith tendering payment for the subscribed for Promissory Notes by regular, bank or certified check payable to "Towers Financial Corporation, Funding Account" equal The purchase price for each Promissory Note (the "Subscription Price") is \$100,000 (subject to reduction Purchase Price.

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I understand that the offering will terminate on or before October 14, 1992. If my subscription is not accepted, all funds paid by me will be returned promptly to me without interest and without deduction of escrow costs. Upon receipt of such funds I will forthwith return the Offering Document and all other subreturned. amount subscribed for by me may be accepted, whereupon the excess funds tendered by me will be promptly scription documents to the Company. In the sole and absolute discretion of the Company, less than the full

understand and agree that my subscription to purchase Promissory Notes shall not be deemed binding upon the Company until the funds paid by me herewith are submitted to the Company, clear and are credited to It is understood that this subscription is not binding unless and until it is accepted by the Company. I also

Representations and Warranties of the Undersigned.

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concerning the offering, written or oral, other than that contained in the Offering Document. the Promissory Notes and/or the investment made thereby, and that I have not relied upon any information my advisors. By the Company, or by any person acting on behalf of the Company, with respect to the sale of fering Document and the 1991 Annual Report, no representations or warranties have been made to me, or to Audited Financial Statements contained therein. I further acknowledge that, except as set forth in the Ofincluding all attachments and exhibits thereto and the 1991 Annual Report of the Company including the I acknowledge that I have received, read, understand, and am familiar with the Offering Document,

suitability as an Investor, and I hereby affirm the correctness of my answers in such questionnaire. Questionnaire relating to my general ability to bear the risks of the investment being made hereby and my I lurther acknowledge that I have received, completed and returned to the Company, the Purchaser

ates, as follows: I further represent and warrant to the Company, Counsel to the Company, and their respective Affilia

have sufficient liquid assets to pay the full purchase price for each Promissory Note in the manner con-(a) I can bear the economic risk of this investment and can afford a complete loss thereof; and I (i)

> Questionnaire delivered simultaneously herewith; and (iv) qualify as an "Accredited Investor" as desory Notes: (iii) have a net worth presently of at least an amount indicated by me in Part III of my Investor possible personal contingencies, and have no present need for liquidity of my investment in the Promislined in Regulation D which was promulgated under the 1933 Act as follows: templated by the Offering Document; (ii) have adequate means of providing for my current needs and

- plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefits of its employees if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Any Bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other insti credited investors: \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are acor registered investment adviser, or if the employee benefit plan has total assets in excess Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, ness Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any under the Investment Company Act of 1940 or a business development company as defined in Secany insurance company as defined in Section 2(13) of the Act; any investment company registered ity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; tion 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Busitution as defined in Section 3(a)(3)(A) of the Act whether acting in its individual or fiduciary capac Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in
- Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

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- time of his purchase exceeds \$1,000,000; Any natural person whose individual net worth, or joint net worth with that person's spouse at the
- 9 and has a reasonable expectation of reaching the same income level in the current year; Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years
- Э Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring Z30.506(b)(2)(ii); and the securities offered, whose purchase is directed by a sophisticated person as described in Section
- Any entity in which all of the equity owners are accredited investors
- ence in business and financial matters to evaluate the information set forth in the Offering Document. sonally selected by me, as I found necessary to consult concerning the purchase of the Promissory Notes. and the risks of the investment, and to make an informed investment decision with respect thereto. sons with whom I have found it necessary or advisable to consult, have sufficient knowledge and experifinancial, recording, and securities law aspects thereof. I, my counsel, my advisors, and such other perand such representation has included an examination of applicable documents and an analysis of all tax. (b) I have been represented by such legal and tax counsel and others, each of whom has been per-
- personal tax advisors, and upon my own knowledge with respect thereto. (c) With respect to the tax aspects of my investment, I am relying solely upon the advice of my own
- the date hereof. I have had the opportunity to ask questions of, and to receive answers from, the Compa-(d) Any and all information has been made available to me, my counsel and my advisors, prior to

my, and its representatives, concerning the terms and conditions of the offering and access to any information, documents, financial statements, records and books (i) relating to the Company, the purchase of the Promissory Notes and the offering, and (ii) necessary to verify the accuracy of any information furnished to me. All materials and information requested by either me, my counsel, my advisors or others representing me, including any information requested to verify any information furnished, have been made available and examined.

- (c) I understand that the offering has not been registered under the Securities Act of 1933, as amended (the "1933 Act"), nor pursuant to the provisions of the securities or other laws of any other applicable jurisdictions, in reliance upon the exemption for private offerings contained in Section 4(2) of the 1933 Act, Regulation D promulgated thereunder and the laws of such jurisdictions. I am fully aware that the Promissory Notes subscribed for by me are to be sold to me in reliance upon such exemptions based upon my representations, warranties and agreements. I am fully aware of the restrictions on sale, transferability and assignment of the Promissory Notes, as more fully set forth in the Offering Document, and that I must bear the economic risk of my investment herein for an indefinite period of time because the offering has not been registered under the 1933 Act and, therefore, the Promissory Notes cannot be offered or sold unless the offering is subsequently registered under the 1933 Act or an exemption from such registration is available.
- (f) My execution and delivery of this Subscription Agreement have been duly authorized by all necessity action. I will not pledge, transfer or assign this Subscription Agreement or the Promissory Notes which I acquire pursuant to this offering without complying with the procedures set forth in the Offering Document. I am making the investment hereunder for my own account and not for the account of others and for investment purposes only and not with a view to or for the transfer, assignment, resale or distribution thereof, in whole or in part. I have no present plans to enter into any such contract, undertaking, agreement or arrangement.
- (g) I agree that I shall not cancel, terminate or revoke this Agreement or any other agreement executed by me with respect to the purchase of a Promissory Note, and that this Subscription Agreement shall survive my death or disability, except as pursuant to the laws of the applicable jurisdiction.
- (h) I am aware that the purchase of a Promissory Note is a speculative investment involving a significant degree of risk and that there is no guarantee that I will realize any gain from my investment.
- (i) The address set forth below is my true and correct residence, and I have no present intention of becoming a resident of any other state or jurisdiction prior to my purchase of the Promissory Note.
- (j) I understand the meaning and legal consequences of the foregoing representations and warranties, which are true and correct as of the date hereof and will be true and correct as of the date of my purchase of the Promissory Note subscribed for herein. Each such representation and warranty shall survive such purchase.

I hereby agree to indemnify and hold harmless the Company, Counsel, and their Affitiated persons from any and all damages, losses, costs and expenses (including attorneys' fees and disbursements) which they, or any of them, may incur by reason of my failure, or alleged failure, to fulful any of the terms and conditions of this subscription or by reason of my breach of any of my representations and warranties contained herein.

Blue Sky Representations

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- (a) Residents of any State. I have read the jurisdictional notice applicable to the State of my residence which appears in Article "10" of this Subscription Agreement.
- (b) Residents of Florida. I hereby acknowledge that I have the right, pursuant to Section \$17.061(11)(a)(5) of the Florida Securities Act, to withdraw my subscription and receive a full refund of all monies paid by me to the Company within three business days after the execution of this Subscription Agreement or payment for the Promissory Notes has been made, whichever is later. Withdrawal will be

without any further liability to me. To accomplish this I need only send a letter or telegram to the Company, indicating my intention to withdraw. I acknowledge that tach letter or telegram should be sent or postmarked prior to the end of the afforementioned third business day. I have also been informed that it is prudent to send such letter by certified mail, return receipt requested to ensure that it was received and also to evidence the time when it was mailed. I also understand that should I make this request orally (either in person or by telephone). I must request written confirmation that such request by me has been received.

(c) Residents of Michigan. I agree that I will not sell or transfer my Promissory Note(s) except in a transaction which is exempt under the Michigan Securities Act or pursuant to an effective Registration Statement under the Michigan Securities Act.

acknowledge that I have received the Offering Document and am aware of the following:

- (i) The intended use of the proceeds of this Offering:
- (ii) The current financial condition of the Company;
- (iii) The direct or indirect compensation which has been or will be received by the Company and its Affiliates from this Offering;
- (iv) The securities being offered hereunder are Promissory Notes and the purchase price therefore
 is \$100,000 per Promissory Note; and
 (v) I or my representative may inspect the books and records of the Company which relate to the
- Funding Account and the purchase and collection of the Accounts Receivable.

 (d) Residents of Pennsylvania. Pursuant to the Pennsylvania Securities Act, Section 207(m), each
- (a) Keindents of Renarymenta. Fursuant to title remayivation Sections 204(th), each Pennsylvania resident may elect, within two business days of the date of execution, to withdraw from this Subscription Agreement and to receive a full refund of all funds paid on account of this subscription together with copies of the signature pages of the Agreement without incurring any liability to the Company, its affiliates or to any other person. To accomplish this withdrawal. I need only to send a letter or relegram to the Company, indicating my intention to withdraw. Such letter or telegram must be sent or postmarked prior to the end of the aforementioned second business day. If I send a letter, I understand that it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also to evidence the time when it was mailed. Should I make this request orally, in person or by telephone to the Company, I understand that I must ask for written confirmation that my request has been received. I agree not to sell or transfer any of the Promissory Notes for a period of at least twelve months from the date of purchase.
- (e) Residents of Texas. I agree that I will not sell or transfer my Promissory Notes except in a transaction which is exempt under the Texas Securities Act or pursuant to an effective Registration Statement under the Texas Securities Act.

Acceptance by the Company.

Except as set forth herein, this Subscription Agreement is irrevocable. It is subject to all of the terms and provisions contained in the Offering Document. It may be accepted, in whole or in part, by the Company executing this Agreement, and mailing a duplicate copy to the undersigned. The Company reserves the right in its sole discretion to reject this subscription in whole or in part.

General Provisions

Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties repressly agree that all of the terms and provisions hereof shall be construed in accordance with, and governed by the laws of the State of New York applicable to contracts fully to be performed therein, may not be modified or waived except in writing, and is subject to all of the terms and provisions contained in the Offering Document.

THE RESERVE OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TO THE PERSON NA

- (a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned at the address which is set forth below and to the Company at 417 Fifth Avenue, New York, New York, 10016.
 (b) This Agreement constitutes the entire Agreement between the parties hereto with respect to
- (b) This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties.
- (c) The Company, counsel, and their respective Affiliates shall not be liable for taking any action pursuant to this Agreement in the absence of gross negligence, misfeasance, malfeasance or fraud.
- Jurisdictional Notices and Representations.

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It should be noted that the inclusion of a notice under state securities laws below should not be construed to mean that the Promissory Notes have been cleared or are otherwise available for sale in that state. The Company will maintain a list, which will be available upon request, of those states in which offers and sales of Promissory Notes can be made.

DESPITE THE INCLUSION OF THE LEGENDS BELOW, BROKER DEALERS MUST CONFIRM WITH THE ISSUER THAT EITHER THE SECURITIES HAVE BEEN REGISTERED OR AN EXEMP. TION FROM REGISTRATION IS AVAILABLE SINCE THE INCLUSION OF A LEGEND BELOW DOES NOT ASSURE REGISTRATION OR EXEMPTION.

IN ADDITION, SOME STATES' DEFINITION OF "ACCREDITED INVESTOR" DIFFERS FROM THE DEFINITION SET FORTH AT 4(a) OF THIS SUBSCRIPTION AGREEMENT. THEREFORE, IT IS IMPERATIVE THAT BROKER-DEALERS VERIFY THAT POTENTIAL INVESTORS QUALIFY AS "ACCREDITED INVESTORS" IN SUCH STATE.

FOR ALABAMA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANT TO A

CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATE MENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR ALASKA RESIDENTS ONLY. THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISION OF JAAC 08. 50-JAAC 08. 50-JAAC 08. 50-JAAC 08. 50-JAAC 08. 50-JAAC 08. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THE OFFERING DOCUMENT SINCE THE OFFERING DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THATTHE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS, RECOMMENDED OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF AS 45.55.170.

THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

FOR ARIZONA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED PURSUANT TO A.R.S. SECTION 41 1846 BUT THE FACT OF THE GRANTING OF SUCH EXEMPTION IS NOT TO BE DEEMED A FINING BY THE ARIZONA CORPORATION COMMISSION THAT THE OFFERING DOCUMENT IS TRUE OR ACCURATE, NOR DOES SUCH GRANT OF EXEMPTION MEAN THAT THE COMMISSION HAS PASSED UPON THE MERITS OF OR OTHERWISE APPROVED THE SECURITIES DESCRIBED HEREIN.

FOR ARKANSAS RESIDENTS ONLY: THESE SECURITIES ARE OFFERED PURSUANTTO A CLAIM OF EXEMPTION UNDER SECURITIES ACT OF THE ARKANSAS SECURITIES ACT AND RULE 506 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1931, AS AMENDED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR CALIFORNIA RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE, IF SUCH REGISTRATION IS REQUIRED.

FOR COLORADO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED.

FOR CONNECTICUT RESIDENTS ONLY: THE SECURITIES REFERRED TO IN THE OFFER-ING DOCUMENT HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT, AND, THEREFORE, THE SECURITIES CANNOT BE SOLD OR TRANSFERRED UNDER SUCH ACT UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR FLORIDA RESIDENTS ONLY: FLORIDA PURCHASERS ARE ADVISED THAT WHERE SALES ARE MADE TO FIVE OR MORE PERSONS PURSUANT TO SECTION \$17.061(11)(a)(5) OF THE FLORIDA SECURITIES & INVESTOR PROTECTION ACT, SUCH SALES ARE VOIDABLE BY THE PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE COMPANY OR ANY AGENT OF THE COMPANY OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER, THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT (RULE 3E500.005(5)(a)(12)).

FOR GEORGIA RESIDENTS ONLY: OFFEREES ARE HEREBY ADVISED THAT THE CONSENT DECREE ENTERED INTO BY TOWERS IN ANCILA CORPORATION (TOWERS) DISCUSSED IN THE CONFIDENTIAL PRIVATE OFFERING DOCUMENT DATED OCTOBER IS. 1991, PROVIDES THATTOWERS IS PERMANENTLY ENIOSINED FROM VIOLATING THE SECURITIES LAWS AND THAT TOWERS IS SUBJECT TO AN ONGOING OBLIGATION NOT TO VIOLATE THE SECURITIES LAWS. UNLESS A WAIVER IS GRANTED BY THE STATE OF GEORGIA. THE CONSENT DECREE CONSTITUTES AN AUTOMATIC DISQUALIFICATION FROM THE USE OF PRIVATE OFFERING EXEMPTIONS IN THE STATE OF GEORGIA. TOWERS HAS APPLIED FOR SUCH A WAIVER AND THE GEORGIA SECURITIES COMMISSION HAS AGREED TO GRANT THE WAIVER PROVIDED THAT THIS NOTICE BE FURNISHED TO ALL GEORGIA OFFEREES.

FOR IDAHO RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANS-

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FERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR ILLIVOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN APPROVED OR

FOR ILLINOIS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, PASSED UPON THE ACCURACY OF ADEQUACY OF THE OFFERING DOCUMENT: ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO

FOR INDIANA RESIDENTS ONLY: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 23-2-1-2 OF THE INDIANA CODE. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFORM.

FOR LOUISIANA RESIDENTS ONLY: THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

MAINE RESIDENTS: THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OR THE STATE OF MAINE UNDER SECTION 1050(2) (R) OF TITLE 32 OF THE MAINE REVISED STATUTES. THESE SECURITIES MAY BE DEEMED RESTRICTED SECURITIES AND AS SUCH THE HOLDER MAY NOT BE ABLE TO RESELL THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES LAWS OR UNLESS AND EXEMPTION UNDER SUCH LAWS EXISTS.

FOR MARYLAND RESIDENTS ONLY. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

FOR MICHIGAN RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNIFORM SECURITIES ACT OF MICHIGAN AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. MINIMUM INVESTMENT IN MICHIGAN IS \$50,000.

FOR MINNESOTA RESIDENTS ONLY: THESE SECURITIES REPRESENTED BY THIS OFFERING HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM.

FOR MISSISSIPI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE(I)

YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR MISSOURI RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1)
YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXCEPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OR SECURITIES REGULATION HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFULTO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FOR NEW JERSEY RESIDENTS ONLY: THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERTS OF THE OFFERING DOCUMENT. THE FILING OF THIS OFFERING WITH THE BURNU OF SCHURTIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR THE SALE THEREOF BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEW JERSEY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR NEW MEXICO RESIDENTS ONLY: THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO. ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE OFFERING DOCUMENT.

FOR NORTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECTTORESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE

FOR PENNSYLVANIA RESIDENTS ONLY: PURSUANT TO SECTION 207(m) OF THE PENN. SYLVANIA SECURITIES ACT OF 1972, EACH PENNSYLVANIA RESIDENT WHO ACCEPTS THE OFFER MADE PURSYLVANIA TO THE OFFER ING DOCUMENT TO PURCHASE ANY UNITS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE, WITHOUT INCURRING ANY LIABILITY TO THE COMPANY, ITS AFFILIATES OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE COMPANY OF HIS WRITHEN BIND-ING CONTRACT OF PURCHASE (SUBSCRIPTION AGREEMENT). TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM INDICATING HIS WITHDRAWAL, A SUBSCRIBER SHOULD SEND A LETTER OR TELEGRAM SHOULD BE SENT FORTH IN THE OFFERING DOCUMENT. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTIMARKED PRIOR TO THE COMPANY AT THE ADDRESS OF THE COMPANY SET FORTH IN THE OFFERING DOCUMENT. SUCH LETTER, OT SELEGRAM SHOULD BE SENT AND POSTIMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF A SUBSCRIBER ELECTS TO SEND SUCH A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL RETURN RECEIPT REQUESTED. TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. SHOULD A SUBSCRIBER MAKE THIS REQUEST ORALLY, HE SHOULD ASK FOR WRITTEN CONFIRMATION THAT HIS RECEIVED.

IN ADDITION TO QUALIFYING AS AN ACCREDITED INVESTOR, THE RESIDENTS OF PENNSYLVANIA HEREBY AGREETHAT THEY WILL WILL NOT SELL, TRANSFER OR SUBDIVIDE THE UNITS PURCHASED HEREIN UNTIL AT LEAST ONE (I) YEAR FROM THE DATE OF PURCHASE.

FOR SOUTH CAROLINA RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. AL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1913, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEFREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR SOUTH DAKOTA RESIDENTS ONLY: THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47-31A, WITH THE DIRECTOR OF THE DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATIONS OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING IS TRUE, COMPLETE, AND NOT MISLEADING, WOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERTIS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SOUTH DAKOTA RESIDENTS HEREBY REPRESENT THAT (I)THEY HAVE A NET WORTH OF AT LEAST \$1,000,000 (EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES): (II)THEY WILL INVEST NOT LESS THAN \$1,000,000; AND (III)THEIR INVESTMENT DOES NOT EXCEED 10% OF THEIR NET WORTH.

FOR TENNESSEE RESIDENTS ONLY: THESE SECURITIES HAVE BEEN REGISTERED WITH STATE OF TENNES:

SEE HAS IMPOSED MINIMUM SUITABILITY STANDARDS FOR TENNESSEE RESIDENTS. PURSUANT TO THOSE STANDARDS, EACH INVESTOR WHO IS A NATURAL PERSON MUST HAVE A NET WORTH OF AT LEAST \$250,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES, AND MUST HAVE HAD A GROSS INCOME OF \$65,000.00 DURING THE LAST TAX YEAR AND BE EXPECTED TO HAVE A GROSS INCOME OF \$65,000.00 DURING THE CURRENT TAX YEAR, OR ALTERNATIVELY A NET WORTH OF AT LAST \$500,000.00 EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES. ADDITIONALLY, UNDER THIS SUITABILITY STANDARD, EACH NATURAL PERSON'S INVESTMENT MUST NOT EXCEED TEN PERCENT (10%) OF HIS NET WORTH.

THIS OFFERING IS MADE TO ACCREDITED INVESTORS AS DEFINED IN SECTION 501 (a) (1) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1931. SEE OFFERING DOCUMENT AT "TERMS OF THE INVESTMENT" THE ACCREDITED INVESTOR STANDARD IS GENERALLY MORE RESTRICTIVE THAN THE MINIMUM SUITABILITY REQUIREMENTS IMPOSED BY THE STATE OF TENNESSEE. THEREFORE, THE EFFECT OF REGISTRATION OF THE OFFERING IN TENNESSEE (AND THE MINIMUM SUITABILITY STANDARD) IS THAT THE OFFERING IS MADE ONLY TO ACCREDITED INVESTORS.

FOR TEXAS RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER APPLICABLE SECURITIES LAWS OF TEXAS AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR UNLESS AN EXEMP.

THON FROM REGISTRATION IS AVAILABLE.

FOR UTAH RESIDENTS ONLY: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UTAH UNIFORM SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR VIRGINIA RESIDENTS ONLY: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OF THE OFFERING DOCUMENT OR UPON THE MERITS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY.

FOR WASHINGTON RESIDENTS ONLY: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERTIS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDER. AL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1931, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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Accepted:

050,00

Number of Promissory Notes

Term of Promissory Notes:

w for

Name of Joint Tenant or Tenant-in-Common, if applicable.

TO BE COMPLETED BY ALL SUBSCRIBERS:

IN WITNESS WHEREOF, I (we) have 1952. ENTITIES:

INDIVIDUAL

TENNA H. JOHNSON

(Please Print

Name of Entity (Please Print)

[Corporate Seal (if applicable)] Signature and Title

ACCEPTED AND AGREED TO THIS 29 DAY OF June 1992.

TOWERS ENANCIAL CORPORATION Vice Chairman and Chief Operating Officer

STATE OF

[CORPORATE]

Hotieth : course MY Commission

being by COUNTY OF me duly sworn, did depose and say that (s)he is the SS

the foregoing Subscription Agreement, that (3)he knows the seal of said corporation; that the seal affixed to said Agreement is such corporate seal; that it was so affixed by authority of the corporation; and that (5)he signed his (her) name thereto by like authority. (s)he is the of corporation which executed

Notary Public

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On Twee 15, 19 % before me personally appeared have before mine as the person(s) whose name(s) is (are) subscribed to the foregoing Subscription Agreement and acknowledged that (s)he (they) executed the same.

COUNTY OF New View

SS:

STATE OF CHELLAGE

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TOWERS FINANCIAL CORPORATION OCTOBER 15, 1991 PRIVATE OFFERING DOCUMENT NON-NEGOTIABLE RECOURSE PROMISSORY NOTE

For value received, TOWERS FINANCIAL CORPORATION, a Delaware corporation (the "Maker"), promises to pay to the order of the person whose name and address are set forth at the end of this Note (the "Payee"), its successors and assigns, the principal sum which is indicated at the end of this Note, together with interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from the date of this Note (the date of this Note of this Note) through and including the date

(the "Maturity Date"). Principal hereunder shall be due and payable in full on the date which is indicated at the end of this Note

Payment of principal and interest under this Note shall be made in lawful money of the United States of America to the Payce at the address which is set forth at the end of this Note or at such other location as shall be notified to the maker by the Payce. Interest shall be calculated on the basis of a year of 365 days for the actual number of days elapsed and shall be payable monthly for quarterly] commencing with the interest payment which is due thirty (30) days from the date of this Note.

Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is provided for hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to applicable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal

rate of interest, the Maker shall be required to pay only the maximum legal rate of interest.

This Note has been issued pursuant to the Offering Document dated October 15, 1991 of the Maker, and this Note is subject to all of the terms, conditions, obligations and provisions which are set forth in the Offering Document.

The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the "Security Agreement") which was executed by the Maker in lavor of the Payee and other similarly situated payees. Neither this reference to the Security Agreement nor any provision thereof shall affect or impair the obligations of the Maker which are provided for herein.

This Note is made and delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable under any law shall not affect the validity of any other provision hereof. The Payee agrees that any action or proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and County of New York.

the party against whom enforcement or any waiver, change, modification or discharge is sought. This Note may not be changed or terminated orally, but only by an agreement in writing and signed by

IN WITNESS WHEREOF, the undersigned has executed this Note as of the 29 day of <u>June</u>, 1992.

Date of Note: June 23 1992 PAYEE: Steven H. Johnson Steven H. Johnson Print Name(s) 9737 W. Ohio Avenue	TOWERS FINANCIAL CORPORATION By: Michell Brater, I Michell Brater, I Vice Chairman and Chief Operating Officer Principal Amount of Note: \$50,000.00 Period to Maturity: 24 Months Maturity Date: June 23, 1994
Steven H. Johnson	
Print Name(s) 9737 W. Ohio Avenue	Maturity Date: June 23, 1994
Address Lakewood, CO 80226	Rate of interest: 14 % per annum
City, State and Zip Code	

This Promissory Note has not been registered under the Securities Act of 1933, as amended, and may not be sold or otherwise transferred in the absence of such registration or an exemption the refrom under such Act or state accurities laws. Furthermore, this Promissory Note may be sold or otherwise transferred only in compliance with the conditions specified in the Offering Document of Maker, a complete and correct copy of which is available for imspection at the principal office of Maker and will be furnished without charge to the holder of this Promissory Note upon written request.

Notary Public

SS

(CORPORATE)

POTAGE PUBLIC STATE OF PUBLICIST בונית הבינה בער המינוא פוננסם. אורכיים בינה המינוא

\$S.:

[TWDDK/JQNI]

TO BE COMPLETED BY ALL SUBSCRIBERS:

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TOWERS FINANCIAL CORPORATION OCTOBER 15, 1991 PRIVATE OFFERING DOCUMENT NON-NEGOTIABLE RECOURSE PROMISSORY NOTE

For value received, TOWERS FINAN(.IAL CORPORATION, a Delaware corporation (the "Maker"), promises to pay to the order of the person whose name and address are set forth at the end of this Note (the "Pay ee"), its successors and assigns, the principal sum which is indicated at the end of this Note, together with of final payment hereunder. the date of this Note (the date of this Note is set forth at the end of this Note) through and including the date interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from

(the "Mainrity) ate"). Principal hereunder shall be due and payable in full on the date which is indicated at the end of this Note

America to the 1: yee at the address which is set forth at the end of this Note or at such other location as shall be notified to the maker by the Payee. Interest shall be calculated on the basis of a year of 365 days for the actual number of days elapsed and shall be payable monthly [or quarterly] commencing with the interest payment which is due thirty (30) days from the date of this Note. Payment of a rincipal and interest under this Note shall be made in lawful money of the United States of

cable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is provided for hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to applirate of interest, the Maker shall be required to pay only the maximum legal rate of interest.

ing Document. this Note is subject to all of the terms, conditions, obligations and provisions which are set forth in the Offer-This Note has been issued pursuant to the Offering Document dated October \$5, 1991 of the Maker, and

accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable under any law shall not affect the validity of any other provision hereof. The Payee agrees that any action or proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the "Security Agreemant") which was executed by the Maker in favor of the Payee and other similarly situated obligations of the Maker which are provided for herein. payees. Neither this reference to the Security Agreement nor any provision thereol shall affect or impair the obligations of the Maker which are provided for herein. This Note is made and delivered in the State of New York and shall be governed by, and construed

the party against whom enforcement or any waiver, change, modification or discharge is sought. County of New York. This Note may not be changed or terminated orally, but only by an agreement in writing and signed by

IN WITNESS WHEREOF, the undersigned has executed this Note as of the 3 day of April 1, 1992

•	1	1
	TOWERS FIX ANCIAL CORPORATION	Z
Jate of Note: March 26, 19 92	B. 12/20	
AYEE:	MitcHell Brates, Vice Chairman and Chief Operating Officer	cer
Paul E. Heier Trust		
Paul E. Meier, TIEE	Principal Amount of Note: \$100,000.00	ŏ
Paul E. Meier Trust		
Paul E. Meier, TTEE	Period to Maturity: 36 Months	"
Print Mame(s)		
larizz <u>River Valley Court</u> Address	Maturity Date: March 26, 1995	1995

This Promissory Note has not been registered under the Securities Act of 1933, as amended, and may not be sold or otherwise transferred in this abstract of such registration or an exemption therefrom under such Act or state securities have. Furthermore, this Promissor, I lote may be sold or otherwise transferred only in compliance with the conditions specified in the Offering Dooment of Maker, a complete and correct copy of which is available for projection at the principal office of Maker and will be furnished without charge to the holder of this Promissory Note upon written request.

City, State and 2 p Code

Rate of interest: 14 % per annum

TO BE COMPLETED BY ALL SUBSCRIBERS:

Page

Street Address	Paul E. Meier	subscription should be mailed:	Residence Address to which information regarding this	
	٠.			

City and State Telephone Number 13677 River Valley Court. Chesterfield, NO 63017 Zip

Social Security Number or Employer Identification Number of Joint Tenant or Tenant-in-Common, if applicable

Name of Entity (Please Print)

[Corporate Seal (if applicable)]

ACCEPTED AND AGREED TO THIS _3__ DAY OF April_, 1992.

TOWERS FINANCIAL CORPORATION

Chairman and Chief Operating Officer

STATE OF

COUNTY OF SS

being by me duly swom, did depose and say that (3)he is the of corporation which executed the foregoing Subscription Agreement, that (5)he knows the scal of said corporation: that the seal affixed to said Agreement is such corporate seal; that it was so affixed by authority of the corporation; and that (3)he signed his (her) name thereto by like authority.

Notary Public

On <u>Harch</u> 26 1992, before me personally appeared <u>Paul</u> E. <u>Heier</u> and <u>he</u> known to me as the person(s) whose name(s) is (: e) subscribed to the foregoing Subscription Agreement and acknowledged that (s)he (they) executed the same.

[CORPORATE]

POTAN PERIOD STATE OF MEDICAL POTAN PERIOD STATE OF MEDICAL STATE COUNTY HY COOKERCO SIT. AGE & 1003 .

Notary Public

[TYNDIAIDAT]

STATE OF Missouri

COUNTY OF St Loui

SS:

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OCTOBER 15, 1991 PRIVATE OFFERING DOCUMENT MON-NECOTIABLE RECOURSE PROMISSORY NOTE TOWERS FINANCIAL CORPORATION

of final payment hereunder. promises to pay to the order of the person whose name and address are set forth at the end of this Note (the the date of this Note (the date of this Note is set forth at the end of this Note) through and including the date interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from "Payee"), its successors and assigns, the principal sum which is indicated at the end of this Note, together with For value received, TOWERS FINANCIAL CORPORATION, a Delaware corporation (the "Maker").

(the "Maturity Date" Principal hereunder shall be due and payable in full on the date which is indicated at the end of this Note

America to the Payee at the address which is set forth at the end of this Note or at such other location as shall be notified to the maker by the Payee. Interest shall be calculated on the basis of a year of 365 days for the actual number of days elapsed and shall be payable monthly (or quarterly) commencing with the interest payment which is due thirty (30) days from the date of this Note. Payment of principal and interest under this Note shall be made in lawful money of the United States of

vided for hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to appli-cable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal rate of interest, the Maker shall be required to pay only the maximum legal rate of interest. Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is pro-

this Note is subject to all of the terms, conditions, obligations and provisions which are set forth in the Offer This Note has been issued pursuant to the Offering Document dated October 15, 1991 of the Maker, and

payees. Neither this reference to the Security Agreement nor any provision thereof shall affect or impair the "Security Agreement") which was executed by the Maker in favor of the Payee and other similarly situated ing Document. The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the

under any law shall not affect the validity of any other provision hereof. The Payee agrees that any action or proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable obligations of the Maker which are provided for herein. This Note is made and delivered in the State of New York and shall be governed by, and construed in

the party against whom enforcement or any waiver, change, modification or discharge is sought. County of New York. This Note may not be changed or terminated orally, but only by an agreement in writing and signed by

IN WITNESS WHEREOF, the undersigned has executed this Note as of the 8 day of May , 1992

Date of Note: March 26 , 19 92 Edward J. & Catherine W. Neier Irrevocable Insurance Tr. 13667 River Valley Ct. Address Edward J. & Catherine W. Meier Irrevocable Insurance Tr. Paul E. Neier. TTER City, State and Zip Code Chesterfield, MO F. Meier, TTEE 63017 В. Principal Amount of Note: \$ 100,000.00 Mitchell Brater Rate of Interest: 14 % per annum Maturny Date: Period to Maturity: Vice Chairman and Chief Operating Officer 36 Months March 26, 1995

This Promissory Note hannot been registered under the Securities Acted (1933, as ancorded, and may not be sold or otherwise transferred in the absence of such registration of an exemption therefrom under such Act not state securities have. Furthermore, this Promissory Note may be sold or otherwise stransferred only in compliance with the conditions specified in the Officing Document of Maker, a complete and corner copy of which is available for impossion at the principal office of Maker and will be furhished without charge to the holder of this Fromissory Note upon written request.

٦.

Name of Joint Tenant or Tenant-in-Common. if applicable.

Yeary James is

Signature and Title

Term of Promissory Notes:

3 Years

Number of Promissory Notes Accepted: 100,300

TO BE COMPLETED BY ALL SUBSCRIBERS:

Louise Paul F. Heier Trustee Name (Please Print)	INDIVIDUAL:	IN WITNESS WHEREOF, I (we) have executed!						
Name of Entity (Please Print)	ENTITIES:	Common, u approximate IN WITNESS WHEREOF. I (we) have executed this Subscription Agreement this 11_day of _August	Social Security Number or Employer Identification Number of Joint Tenant or Tenant-In-	Social Security Number or Employer Identification Number	314 376-1374 Telephone Number 345-07-1902	Chasterfield Hissourt 61017 City and State Zip	Street Address	Residence Address to which information regarding this subscripting should be mailed: 13067 River of a 1 ley 6 court

[Corporate Seal (if applicable)] TOWERS EIN AS FIAL CORPORATION ACCEPTED AND AGREED TO THIS

Chairman and Chief Operating Officer

STATE OF

COUNTY OF

the foregoing Subscription Agreement, that (s)he knows the seal of said Agreement is such corporates seal; that it was so affixed by authority of the corporation; and that (s)he signed his (her) name thereto by like authority. SS COUNTY OF

St. A new

On 7/17 1967: before me personally appeared 1/21 E Mujen and Trug try known to me as the person(s) whose name(s) is (are) subscribed to the foregoing Subscription Agreement and acknowledged that (s)he (they) executed the same.

[CORPORATE]

MILTON E METZLER
NOTARY PUBLIC STATE OF MISSOUR;
ST. LOUIS COUNTY
MY COMMISSION EXP. JUNE 6,19%

[TYDDIALDNY]

STATE OF Missour

SS.:

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TOWERS FINANCIAL CORPORATION OCTOBER IS, 1991 PRIVATE OFFERING DOCUMENT NON-NECOTIABLE RECOURSE PROMISSORY NOTE

For value received, TOWERS FINANCIAL CORPORATION, a Delaware corporation (the "Maker"), promises to pay to the order of the person whose name and address are set forth at the end of this Note (the "Payee"), its successors and assigns. the principal sum which is indicated at the end of this Note, together with interest on the unpaid principal balance at the rate of interest which is set forth at the end of this Note, from of final payment hercunder. the date of this Note (the date of this Note is set forth at the end of this Note) through and including the date

Principal hereunder shall be due and payable in Iuli on the date which is indicated at the end of this Note

payment which is due thirty (30) days from the date of this Note. actual number of days elapsed and shall be payable monthly [or quarterly] commencing with the interest be notified to the maker by the Payee. Interest shall be calculated on the basis of a year of 365 days for the America to the Payee at the address which is set forth at the end of this Note or at such other location as shall (the "Maturity Date") Payment of principal and interest under this Note shall be made in lawful money of the United States of

vided for hereunder shall not exceed the maximum legal rate of interest which is permitted pursuant to appli-cable law. If the rate of interest which is provided for in this Note shall be found to exceed the maximum legal rate of interest, the Maker shall be required to pay only the maximum legal rate of interest. This Note has been issued pursuant to the Offering Document dated October 15, 1991 of the Maker, and Notwithstanding anything to the contrary which is provided for herein, the rate of interest which is pro-

this Note is subject to all of the terms, conditions, obligations and provisions which are set forth in the Officeing Document.

"Security Agreement") which was executed by the Maker in favor of the Payee and other similarly situated payees. Neither this reference to the Security Agreement nor any provision thereof shall affect or impair the obligations of the Maker which are provided for herein. The holder of this Note shall be entitled to all of the benefits provided for in the security agreement (the This Note is made and delivered in the State of New York and shall be governed by, and construed in

proceeding to enforce this Note shall be brought in a court of competent jurisdiction located in the State and under any law shall not affect the validity of any other provision hereof. The Payec agrees that any action or

accordance with, the laws of the State of New York. Any provision hereof which may prove unenforceable

County of New York.

the party against whom enforcement or any waiver, change, modification or discharge is sought. This Note may not be changed or terminated orally, but only by an agreement in writing and signed by

IN WITNESS WHEREOF, the undersigned has executed this Note as of the 4 day of Sept.. 19_92

PAYEE:
Edward J. Heler Revocable Living Trust Date of Note: Paul E. Meier, TIES Paul E. Meier, TIEZ Edward J. Meier Revocable Living Trust Sept. 21 19 92 By: A A TOWERS FLY AND CORPORATION Principal Amount of Note: \$100,000.00 VicelChairman and Chief Operating Officer Period to Maturity: 36 Months

Print Name(s)

City, State and Zip Code 13667 River Valley Court

Maturity Date:

September 21, 1995

Rate of Interest: 15 % per annum

This Promissory Note has not been registered under the Securities Act of 1933, as amended, and may not be sold grotherwise transferred in the absence of such registeration or an exemption therefore, under such act or save securities laws. Fightermore, this Promissory Note may be sold or otherwise transferred only in compliance with the combitions specified in the Othering Document of Maker, a complete and correct caps of which is available for inspection as the principal office of Maker, and will be for a state of this Promissory Note upon written request.

...

BROKER-DEALER AGREEMENT

AGREEMENT made as of the date which is set forth at the end of this Agreement, by and between the broker-dealer whose name, address, and state of incorporation is set forth at the end of this Agreement (hereinafter referred to as the "Broker-Dealer"), and TOWERS FINANCIAL CORPORATION, a Delaware corporation, having its principal place of business at 417 Fifth Avenue, New York, New York 10016 (hereinafter referred to as the "Company").

The Company is engaged in offering to Accredited Investors only one hundred fifty million dollars (\$150,000,000) of thirty-month, full recourse Promissory Notes bearing interest at 3.5% over the prime rate of interest of Chase Manhattan Bank, N.A., adjustable monthly and backed by collateralized business accounts receivable and health care accounts receivable due from major insurance companies and governmental agencies, in 1,500 Units of \$100,000 per Unit. The offering of the Promissory Notes is being made, on a "best efforts" basis, with no minimum sales requirement. As used in this Agreement, "Offering Document" refers to the confidential Private Offering Document dated March 23, 1992, distributed by the Company inconnection with the offering of Promissory Notes issued by the Company, including the exhibits thereto, unless the Offering Document or exhibits have been supplemented or amended, in which event the term shall refer, from and after the time of the supplements to such Offering Documents and supplements. The Company desires to offer and sell the Promissory Notes to Accredited Investors only pursuant to a non-public offering under the provisions of Section 4 (2) of the Securities Act of 1933, as amended (hereinafter referred to as "Regulation D").

The subscribers for Promissory Notes (hereinafter referred to as the "Accredited Investors") will be required to enter into a Subscription Agreement, a copy of which is attached to the Offering Document as an Exhibit thereto (hereinafter referred to as the "Subscription Agreement"). Each subscriber whose Subscription Agreement is accepted by the Company will be issued a Promissory Note in the manner which is provided for in the Subscription Agreement.

The Company and the Broker-Dealer hereby agree to the placement by the Broker-Dealer of the Units

The Company and the Broker-Dealer hereby agree to the placement by the Broker-Dealer of the Units under the following terms and conditions:

Section 1. <u>Appointment as Non-Exclusive Broker-Dealer.</u> The Broker-Dealer is hereby appointed, subject to the provisions of this Agreement, to act as a nonexclusive broker-dealer for the sale of the Promissory Notes.

Section 2. Representation and Warranties of Broker-Dealer. The Broker-Dealer hereby covenants, represents and warrants to and for the benefit of the Company that:

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- request of the Company execute all such agreements and documents as the Company may reasonably request in Company with the Securities and Exchange Commission or any state securities agency connection with the matters contained in this Section, which agreements and documents may be filed by the representatives only upon the condition that the same is for their information only; and such persons will upon any potential Investor or appear in any analysis, report or literature prepared by the Broker-Dealer or its which is not described or contained in the Offering Document or any amendment thereto, will be disclosed to or its representatives with certain information not contained in the Offering Document in connection with the and such offering materials which are provided by the Company or which have been previously approved by the Investors and their purchaser representatives. The Broker-Dealer agrees to utilize only the Offering Document and subscription documents relating to the offering to potential Accredited Investors and their purchaser basis through the distribution, subject to applicable securities laws and regulations, of the Offering Decument Broker-Dealer's "due diligence" examination. The Broker-Dealer agrees that no reference to any such material Dealer acknowledges that from time to time the Company may, in its sole discretion, provide the Broker-Dealer Company in writing in connection with the offering and sale of the Promissory Notes. Specifically, the Brokerrepresentatives (as such terms are defined in Regulation D) and through the processing of such Accedited representative, except with the prior written consent of the Company. Neither the Broker-Dealer nor its contained in the Offering Document, and any such information will be furnished to the Broker-Dealer or its presentatives are authorized to circulate any such information orto make any representations other than those (b) The Broker-Dealer will aid in the placement of the Promissory Notes on a "best efforts" nonexclusive
- and all applicable rules, regulations and orders of any court, government or unit or agency thereof, and of the (c) The Broker-Dealer will at all times comply with all applicable Federal, state, local and common laws
- 259 applicable: (d) The Broker-Dealer will offer placement services only in those states where both of the following are
- (1) The Broker-Dealer is licensed as a broker-dealer, and
- registered, or (D) there are no "filing" requirements; obtained "blue sky" clearance, (B) an exemption exists from "registration" requirements; (C) the Company has (2) The Company has advised the Broker-Dealer in writing that either: (A) the Company has

) nount of securities for which such clearance or exemption exists. Such placement services by the Broker-Dealer will be offered only in amounts within the maximum

Dandany applicable "blue sky" requirements, and (iii) whether the prospective investors are Accredited Investors under Regulation D. purchaser representatives to ascertain: (i) whether a purchase of Promissory Notes is suitable for the prospective Accredited Investors, (ii) whether the prospective Accredited Investors are qualified purchasers under Regulation (e) The Broker-Dealer will diligently make inquines of all prospective Accredited Investors and their

Page 1 -

log will contain the name, address, telephone number, and nature of the pre-existing relationship that Brokerdelivered to the Company. Dealer has with the potential in vestor. Copies of such log will be periodically (but not less frequently than weekly) (f) The Broker-Dealer will keep a log of investors to whom Offering Documents are furnished and such

- Dealer will only sell to Accredited Investors with whom the Broker-Dealer has a pre-existing relationship. (g) The Broker-Dealer will not "generally solicit sales" as is prohibited by Regulation D, and the Broker
- Offering Document and promptly transmit same to the Company or its designee. (h) The Broker-Dealer will obtain fully completed and duly executed documents as required by the
- or threatened against, or involving the property or business of the Broker-Dealer which might result in any material adverse change of the condition (financial or otherwise), business or prospects of the Broker-Dealer (i) There is no action, suit, lingation or proceeding before or by any court or governmental agency pending
- Broker-Dealer and constitutes the valid and binding agreement of the Broker-Dealer enforceable in accordance indemnification provisions of Section 6 hereof may be limited under the Federal securities laws affecting the enforceability of creditor's rights generally, from time to time in effect and except as the with its terms subject to any applicable bankruptcy, insolvency, moratorium, reorganization or other laws (j) This Agreement has been duly and validly authorized, executed and delivered by and on behalf of the
- Broker-Dealer as described in the Offering Document. of Incorporation or By-Laws of the Broker-Dealer or any law or any agreement to which the Broker-Dealer is execute, deliver and perform this Agreement and has taken all action required by law, its Certificate of a party or by which the Broker-Dealer and/or its assets are bound, or any order, rule or regulation applicable to and the execution, delivery and performance of this Agreement does not violate the provisions of the Certificate the Broker-Dealer of any court or any governmental body or administrative agency having jurisdiction over the Incorporation, its By-Laws, or otherwise to authorize the execution, delivery and performance of this Agreement (k) If the Broker-Dealer is a corporation, the Broker-Dealer has the corporate power and authority to
- represents and warrants to and for the benefit of the Broker-Dealer that: Section 3. Representations and Warranties of the Company. The Company hereby covenants
- government or unit or agency thereof, and the NASD (a) The Company will at all times comply with all applicable rules, regulations and orders of any count
- of the Company or its Affiliates except as may be disclosed in the offering pending or threatened against, or affecting or involving the property of business of the Company or its Affiliates, which might result in any material adverse change of the condition (financial or otherwise), business or prospects (b) There is no action, suit, litigation or proceeding before or by any court or governmental agency
- provisions of Section 6 hereof may be limited under the Federal securities laws. enforceability of creditor's rights generally, from time to time in effect and except as the indemnification terms subject to any applicable bankruptcy, insolvency, moratorum, reorganization or other laws affecting the Company and constitutes the valid and binding agreement of the Company enforceable in accordance with its (c) This Agreement has been duly and validly authorized, executed and delivered by and on behalf of the

law or any agreement to which the Company is a party or by which the Company and or its assets are bound or any order, rule or regulation applicable to the Company of any court or any governmental body or and has taken all action required by law, its Certificate of Incorporation, its By-Laws, or otherwise to authorize the execution, delivery and performance of this Agreement and the execution, delivery and performance of this administrative agency having jurisdiction over the Company, as described in the Offering Document Agreement does not violate the provisions of the Certificate of Incorporation or By-Laws of the Company or any (d) The Company has the corporate power and authority to execute, deli ... and perform this Agreement

Section 4. Limitations. Broker-Dealer as a condition of this Agreement hereby agrees that it will not make offers and sales to any "institutional investors" without prior written approval of the Company. Institutional is generally defined in the securities industry. investors for purposes of this Agreement has the definition provided in applicable state "blue sky" laws and as

agent hereunder the following compensation: Compensation. The Broker-Dealer shall receive as its compensation for acting as the sales

be 10% of the offering however promissory notes that are retired prior to their maturity will bear proportionately ational Association of Securities Dealers, Inc. Accordingly, the maximum compensation to broker-dealers will ustanding principal amount of the Promissory Notes may be paid to broker-dealers who are members of the (a) For each Promissory Note which is sold by the Broker-Dealer, a commission of 1% per quarter of the

Dealer upon satisfaction of the following: (b) The Commission which is referred to in Paragraph (a) of this Section 4- shall be paid to the Broker

(i) The Company is in receipt of all required subscription documents from the applicable Investor;

(ii) The applicable Investor has had his subscription for Promissory Notes accepted by the Company:

260 (iii) The A (iii) The Accredited Investor's payment for his Promissory Notes has cleared such Accredited

extent permitted under applicable Federal and state securities laws. (c) Payments of compensation to the Broker-Dealer pursuant to this Agreement shall only be made to the

of the securities be withheld by the Broker-Dealer toward payment of any compensation which is due to the Broker-Dealer. (d) Under no circumstances may any portion of the purchase price which is received from a subscriber

discretion, to reject any Investor which is secured by, or through, the Broker-Dealer, in which case, no compensation shall be due to the Broker-Dealer with respect to said rejected Investor. (e) The Broker-Dealer acknowledges that the Company shall have the right, in its sole and absolute

of the Promissory Notes be exempt from the registration requirements of the Act under the provisions of Rule 506 and Regulation D which are required to be complied with by the parties hereunder in order that the offering parties of all their duties and obligations hereunder, and (C) compliance by the parties with all aspects of Rule subject to: (A) the accuracy, between the date hereof and the date of completion of the sale of the Promissory Notes. In addition, the duties and obligations of the parties which are provided for in this Agreement shall be implied, that the Broker-Dealer is making a commitment to purchase or sell a minimum number of Promissory Broker-Dealer are limited to a "best efforts" basis, and that there is no obligation or undertaking, expressed or 506 and Regulation D. Notes, of the representations and warranties which are made by the parties herein; (B) the performance by the Conditions of Performance. The Company acknowledges that the obligations of the

violation of the coverants, representations or warranties of the Company which are contained in this Agreement Company of the blue sky laws of any state in which the Promissory Notes shall be offered or sold; or (iii) any incurred in comection therewith), insofar as such losses, claims, damages or liabilities (or actions in respect to which it may become subject, under said Act or otherwise (ucluding any legal or other reasonable expenses meaning of Section 15 of the Act, from and against any losses, claims, damages or liabilities, joint or several and its employees, agents, officers, directors and each person, if any, who controls the Broker-Dealer within the thereof) arise out of or are based upon (i) any violation of the Act by the Company; (ii) any violation by the Indemnification. The Company agrees winderunify and hold harmless the Broker-Dealer

of Section 15 of said Act, from and against any losses, claims, damages or liabilities, joint or several, to which representations or warranties of the Broker-Dealer which are contained in this Agreement any of them may become subject, under said An or otherwise (including any legal or other reasonable expenses officers, directors, legal counsel and each person, if any, who controls either the Company, within the meaning sky laws of anystate in which the Promissory Notes shall be offered or sold; or (iv) any violation of the covenants (ii) any other violation of said Act by the Broker-Dealer; (iii) any violation by the Broker-Dealer of the blue and regulations governing qualification and cozduct of broker-dealers under Federal and/or state securities laws: thereof) arise on of or are based upon (i) a failure by the Broker-Dealer to comply with the applicable laws, rules incurred in correction there with) insofar as such losses, claims, damages or liabilities (or such actions in respect The Broker-Dealer agrees to indemnify and hold harmless the Company, as well as its employees, agents,

such party is radified in writing of the nature of the claim within a reasonable time of its assertion commenced or threatened. In no case shall the indemnified pury be liable under this indemnity provision unless connection with its participation as a third-party witness in any action or administrative proceeding, which is incurred by such indemnified party in connection with investigating or defending any such action or claim or in The indemnifying party shall reimburse the indemnified party for legal or other reasonable expenses

belongs) shall be brought against an indemnified party, the indemnifying party will be entitled to participate any state securities or blue sky authority or my self-regulatory organization to which the indemnified pury In case any such action (other than an actinitistative action by the Securities and Exchange Commission,

Section 8 Termination of Agreened. This Agreement shall actomatically terminate upon the

immediately with respect to a material breach of the provision of this Agreement; (ii) upon not less than thirty closing of the Offering of Promissory Notes issued by the Company. Prior to such time, either party shall have performed pursuant to this Agreement shall be performed with respect to any sales which are made pursuant to option. In the event of such termination, all of the obligations of the parties hereto which are required to be (30) days written notice for any reason at any time; and (iii) for breach of Section 3 of this Agreement at Company's the right, by giving notice as provided in Section 15 of this Agreement, to terminate this Agreement (i)

This Agreement shall also automatically terminate in the event that the Broker-Dealer's right to sell securities is revoked by an applicable governmental agency, provided if such revocation is partial or limited the Agreement will be terminated only to the extent necessary for compliance with such regulatory action.

herein contained, Section 6 of this Agreement shall survive termination. 4 of the Agreement) for sales made prior to the date of termination. Notwithstanding anything to the contrary Broker-Dealer the amount of any compensation which is due to the Broker-Dealer (as provided for in Section obligation to the Broker-Dealer shall cease, with the exception of the obligation of the Company to pay to the Except as set forth above, upon the termination of this Agreement, for any reason, the Company's

to any person unless and until that person complies with the qualifications standard contained in the Offering a relationship of partners, joint venture, or employer and employees, between the Broker-Dealer and the ship with the Company is that of an independent contractor and that nothing herein shall be construed as creating the Company material, documents, or information may be delivered to any person unless expressly authorized in writing by representations to any person concerning the Offenng except as provided in this Agreement No additional Depler authorized to deliver an Offering Document or any other information or document, or make any Document, particularly those contained in paragraph (b) (2)-(ii) of Rule 506 of Regulation D, nor is the Broker Company or its Affiliates. The Broker-Dealer is not authorized to make any placement of the Promissory Notes Independent Contractors. It is understood and agreed that the Broker-Dealer's relation-

respective successors and assigns and controlling persons, officers, and directors, and for the benefit of no other assigns. This Agreement is intended to be and is for the sole and exclusive benefit of the parties hereto, and their any party hereto by reason of the purchase of a Promissory Note. Agreement of any provisions herein contained. No Investor shall be construed to be a successor or assignee of their respective successors and assigns, any legal or equitable right, temedy or claim under or in respect of this in this Agreement is intended or shall be construed to give any person or corporation, other than the parties hereto person or corporation; and, except as provided in Section 6 of this Agreement, nothing expressed or mentioned inure to the benefit of and be binding upon the Broker-Dealer, the Company and their respective successors and Broker: Dealer or its assignce of the terms of this Agreement. Subject to these limitations, this Agreement shall Broker-Dealer under this Agreement and the Company expressly reserves the right to proceed against either the Federal and state securities laws. Nothing contained herein shall be construed as limiting the liability of the its obligations hereunder; and provided further, however, that such assignment is permitted pursuant to applicable however, that in the event of any such assignments, that the Broker-Dealer continues to be obligated to perform Broker-Dealer shall have the right to assign any payments which are due to it hereunder, provided further signed by the Broker-Dealer except with the prior written consent of the Company; provided, however, that the Assignment No rights or interests of the Broker-Dealer arising hereunder may be as

bar to, or waiver of, any right or remedy on any future occasion. other right. A waiver on any one occasion with respect to the subject matter hereof shall not be construed as a exercising any right with respect to the subject matter hereof shall operate as a waiver of such right or any such said right. Except as otherwise specifically provided for hereunder, no delay or omission by any party in them with respect to the subject matter hereof, unless such waiver is in writing and signed by the party waiving to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by any of Waiver. Except as otherwise specifically provided for hereunder, no party shall be deemed

Section 12. Rights Cumulative. All rights and remedies with respect to the subject matter hereof, whether evidenced hereby or by any other agreement, instrument, or paper, will be cumulative, and may be exercised separately or concurrently.

covenants not set forth herein with respect to the subject matter hereof, and this Agreement constitutes the entire Agreement between them with respect to the subject matter. Entire Agreement. The parties have not made any representations, warranties, or

discharged orally, but only by a written agreement which is signed by all of the parties to this Agreement. Section 14. Amendments. This Agreement may not be changed, modified, extended, terminated, or

Agreement and the intent and purpose hereof instruments and documents, and to take any and all such further actions reasonably required to effectuate this Section 15. Further Instruments. The parties agree to execute any and all such other and further

Section 16. Notice. All notices or other communications required or permitted hereunder shall be in writing and shall be mailed by First Class, Registered or Certified Mail. Return Receipt Requested, postage prepaid, as follows:

To the Company: 417 Fifth Avenue Towers Financial Corporation New York, New York 10016

Att: Mitchell Brater, Vice Chairman and Chief Operating Officer

To the Broker/Dealer: To the Principal at the address shown on the last page hereof

as of the date so mailed or delivered, as the case may be. personally delivered to the afore said address. Euch notice or communication shall be deemed to have been given Registered or Certified Mail is impossible due to an absence of postal service, notice shall be in writing and or in each case to such other address as shall have last been furnished by like notice. If mailing by

otherwise have, and agree to accept service of process upon them by certified mail, return receipt requested State courts in New York, New York, waive any forum non convenience and any venue objections they might way connected with, this Agreement, the panies hereto consent to the in personal jurisdiction of the Federal and parties agree that with respect to any legal or equitable action, suit, or other proceeding arising under, or in any Jurisdiction and Venue. This Agreement was negotiated in New York, New York, and the

Telephone Number

Section 18. New York, Aw. This Agreement shall be construed and: Acced in accordance with the internal laws of the State of New York, without giving effect to the principle if conflicts of law. by the Broker-Dealer pursuant to this Agreement shall inure to the benefit of the Company. executors, administrators, personal representatives, successors and assigns in addition, the Broker-Dealer specifically agrees that the representation, warranties, indemnifications, and agreements which have been made Agreement, this Agreement shall be binding upon and inure to the benefit of me parties hereto and their heirs, Section 19. Successors and Assigns. Subject to the restrictions which are committed in Section 9 of this

which shall be deemed an original, but all together shall constitute one and the same Agreement Section 20. Counterparts. This Agreement may be executed in two or mane counterparts, each of

only and shall not be deemed to affect the meaning or construction of any of the provincions hereof. Section 21. Captions. The descriptive headings in this Agreement are for exactenience of reference

prior termination of this Agreement shall not constitute a renewal of this Agreement or the creation of a new greement, but shall nevertheless be controlled by the terms hereof. Section 22. Further Dealings. Any dealing by or between the parties after the date of expiration or

> CRD NO, WITNESS WHEREOF, the parties to this Agreement have set their hands or caused these presents to be signed day of TOWERS FINANCIAL CORPORATION

and Chief Operating Officer Mitchell Brater - Vice Chairman

Signature/Title City, State, Zip Address Name of Broker-Dealer (Please Print)

0.00112

* The following information is for Broker/Dealer informational purposes only. An offer to sell or a solicitation to buy can only be made by the Private Placement Memorandum.

For Additional Information Contact:

(212) 696-0505 or (800) 551-3322

Towers Financial Corporation. A publicly tracec, multi-million dollar company that through artiliates has been in the financial services industry ror the past 14 years.

payable either monthly

A publicly

Towers Financial Corporation Investment Stabery

Policy Insurance

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Costs Account ESCION

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Security

Teta

Size

or quarterly at the investors option.

Either I or 2 years, at the investor's option.

\$ 100 million, consisting of 2,000 units of \$50,000 with fractional units offered at Towers' discretion. rully collateralized Health

5

E-2-C:

governmental agencies, also business accounts reci specifically covered by the insurance colicy. rrom Dun & Bradstreet rated companies or other

COMPAGLES recivable #CCOR:15

Issued by American Credit Indemnity Company, rated A + VII by A.M. Best Company. which

The funds will be deposited in Chase Manhattan Bank

Accredited investors as defined in section SOI(a)(1) Regulation D of the Securities Act of 1933. The costs of the insurance policy, the escroall operational costs will be paid by Towers. the escrow account

200

6

4% per unit on I year investment and 5% for the 2 note with an additional 5% payable one year from the and acceptance of the 2 year note.

Towers is self-underwriting the notes. Towers will pay the above commissions on units sold through NASD member times. For additional assistance contact:

Distributor

Commissions -Suitability Investor

Towers Financial Corporation (212) 696-0505 (800) 553-3322

Towers Financial Corporation Mote Highlights

Issued by Towers Financial Corporation a multi-million dollar, publicly United States. сопраку headquartered in New York, with offices throughour

The Note is fully recourse to Towers and is backed collateralized health care accounts receivable due companies and governmental agencies. accounts receivable que from Å major insurance insured, rully

TOWELS, Years. the timancing through it's subsidiaries and affiliates, has been inv inancing and/or servicing of accounts receivable for elvable tor over bas been involved 4.5

The receivables are due from such well known insurance companies as : New York Life, Prudential, Blue Cross/Blue Shield, Netropolitan, Travelers

As an additional degree of safety, Towers has obtained an insurance policy from American Credit Indemnity, $\{$ which is λ + VII rated by A.M. Best $\}$, to insure the collectability of most of the Accounts Receivable. Towers is offering the investor 12 and 24 month Promissory Notes bearing interest at 144 and 16% respectively, with interest gayable either

The total note offering is \$100 million comprised of 2,000 units \$50,000 per unit. Fractional units may be available at Towe discretion.

monthly or quarterly at the investor's option.

Towers will use the proceeds of the offering to purchase health care inquestry receivables. Generally, small bospitals, doctors, dentists and other health care providers do not manage their Accounts Receivable factoring program offers the efficiently. Towers' Accounts Receivable factoring program offers the needed funding to these health care providers bridging the time delay of the care slow paying insurance companies and governmental agencies. TOVETS

staif of insurance collection experts provide the needed resources to accelerate the payment and collection of the Accounts Receivable.

Towers charges a factoring tee of up to 15% of the face value of Accounts Receivable for each Account Receivable purchased. Upon payment of the Receivable, Towers will reinvest the proceeds in additional Accounts Receivable, Towers will reinvest the proceeds in additional Accounts Receivable, and thereby compound it's factoring fee with each new purchase. Towers expects to reinvest the funds in Accounts Receivable and compound it's factoring fee up to 6 times per year. This process of reinvesting the funds and compounding the factoring fees enables. Towers to gay the high rates of interest provided for in the offering.

Corporation Financial Lonetz

Publicly

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trace o

stock

New York,

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Ack 10019

Accitional Details on

the Towers Investment

Accounts Receivable Partial Incennity Credit

American

Mitchell Brater - Vice Chairman of the Board and

Officers,

the past 14 years.

Covers has over 1200 individuals working on their behalf in offices located throughout the United States. Piricers, Directors and Advisory Board Hembers - Steven Boffenberg - Chairman of the Board and CEO of the company and President of it's predecessor companies for the company and president of it's predecessor companies for

Receivable for over 14 years. Towers has over 7000 corporate clients

including 9

engaged in

Accounts Ynam

MILL

eguipment industry and

N

oches

Fortune 1000 companies.

Powers, through it's subsidiaries, has been various aspects of financing and/or servicing

specializing in the rields of equipment leasing, financing, collection services, credit factoring

in the rimancial

forms of asset based lending.

Michael Rosoft - Vice President and Chief Legal Officer Raymond Levis - Vice President - For 25 years ending of Mr. Levis was CEO of United Credit Corporation, an asbased lenger based in New York.

Charles Chugerman - Vice President

45586

EOV

Gregory Pattakos - Vice President and Secretary
Thomas B. Evans, Jr. - Advisory Board - Former cohairman or
the Republican National Committee and former senior
member of the U.S. House or Representatives.
Ben Barnes - Advisory Board - Former Lt. Governor and
Speaker of the House in Texas.
Arthur C. Bass - Anvisory Board - Former chairman Midway
Airlines and former President of Federal Express Inc.

rating institution
American Credit Indemnity
1893 An A + VII rated Issuer of the Insurance Policy by A.M. has issued Best, **6** credic insurance since Insurance industries

state Farm Insurance Co.
Prudential Insurance Co.
Travelers Insurance Co.
Aetha Insurance Co. Equitable Insurance Co. Insucance င္ပ Liberty Hutual Insurance Co. Hetropolitan Life Insurance Co. New York Life Insurance Co. Allstate Insurance Co. Cigna Continental Life Becetora Firemans Fund Insurance Insurance င္ပ

S

Why

Aetha Insurance Co.

Cross/Blue

Mucual of Omaha

Bancock

Case 3:96-cv-01023-L-JF8

Commonly Asked Questions

Towers Financial Corporation 2.0 C &

Ä Under Regulation D of the Securities Act of 1931 the units must be acquired for investment purposes, if an investor wishes to dispose of his units, such disposition is circumscribed by the terms of the provisions of the Federal Securities Act and state securities laws. investment liquid

Ecogram

What Towers be able to purchase enough receivables for the programere were more than \$532 BILLION worth of health care receivables in 1988. Towers program could purchase appreciated mailting worth of receivables, or a little more than 6 healch I receive to verify ownership care industry receivables outstanding. care industry

No. do I receive my rirst check :
The investor receives the first interest payment approximately 30 days after clearance of funds and the acceptance or the subscription documents. Approximately 90 days if quarterly payments are elected. When your subscription is accepted, you will receive a consult of the company subscription agreement executed on behalf of the company of non-negotiable promissory Note executed by Bofrenberg as Chairman and CEO of Towers. AGCS W BATBOBS Š and the Steven

What is my investment treated for Federal income tax purposes. The interest from the notes is classified as portfo are the other receivables mentioned in the memorandum Purposes. This is not passive income. chererore CDe from the notes is classified as TUCOME Por effolio r-J I.R.S.

These are due from corporate America and carry the same safety factors as the bealth care receivables. A representative list would include RCA Corporation, General Electric Co., Westinghouse and many household names.

Hany health care institution sell its receivables to Towers? Hany health care professionals do not have the runds to hire top line individuals to process the paperwork required by the insurance industry. If this paperwork is not properly completed it can delay payment by many months. By selling these receivables to Towers, these organizations will receive approximately 50% of the value up front. Towers start of professionals take care of the paperwork properly and Towers is paid directly from the insurance companies. Towers then pays the remaining 15% due to the health care organization. (Remember, Towers charges a discount of approximately 15% ror each receivable purchased.)

MO AC if the health care organization over-bills the insurance company Towers has each organization quarantee the fact that all receivable correct, if they are not, Towers has the right of offset against the control of the of offset against CECETA Sprea

the organization's other assets. On top of this remember that Towers only pays 50% of the receivables value up front, the other 35% of the value can be used to offset any errors in billing.

How can Towers pay these high cares of return?
Towers receives approximately 15% from each receivable purchased.
Fach receivable is paid within approximately 75 days. Towers expects
to relivest the funds in receivables thereby compounding the Does Towers have any track record in selling programs to the public ? yes. Towers has issued approximately \$37 million worth of similar notes over the last 2 1/2 years. Not a single investors payment has been missed and Towers has fully established it's credibility. (Towers also has an intermational note offering and a banking participation offering.)

E C does Towers acquire receivables ?
Towers has over 1200 incividuals working on their behalf throughout the United States. These individuals contact institutions to offer Towers' expect services. receivable tees. located Various

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PRIVATE PLACEMENT NOTE OFFERING TOWERS FINANCIAL CORPORATION

TOWERS FINANCIAL: OVERVIEW

largest accounts receivable financing company in America's health care industry.

On a national scale, TOWERS is the second largest commercial recovery firm in the United States, boassing 1991 revenues of over \$1 BILLION. TOWERS Financial Corporation is an eighteen year old publicly traded company. TOWERS is the

INVESTMENT BENEFITS

Promissory Notes available to Accredited Investors only. TOWERS issues full recourse Promissory Notes that are

Fixed Macurities 12 Months @ 12% 24 Months @ 14% 30 Months @ 14%

क्षांत्र प्रजी

Investment Sizes Tax Consequences Fixed Income Unit sizes are \$100,000 per, however tractional units are available. interest income is fully taxable and is 1099 income. interest payments are made on a MONTHLY basis.

HIGHLIGHIS

Day redemption privileges. The rate of interest is 3.5% over the current Prime Rute at Chara Manhattan Bank.

A special 30 month Note can be practicated that offers investors 90

- TOWERS has raised over \$400 million through these Note Officings since 1986.
- TOWERS has never failed to make an interest payment or a redesignion of principal to may of its four-thousand plus clients.
- TOWERS is classified as an investment Grade Services of commercial paper by Deff & Phelps. TOWERS has completed five rand institutional offerings, all five of which were rand AA or AA+ by the agency of Duff & Fhelps.

For further information, please call Steve Block or Wayne Wagner at (800) 999-1658.

BROKER-DEALER USE ONLY

COLLATERAL:

DEBTORS:

•	•	•
HIGH LIELD:	MATURITIES:	TOWERS FINANCIAL:
12% for a One year note. 14% for either a Two or Three year note.	One, Two, and Three years.	TOWERS is an eighteen year old public company. TOWERS is the DOWINANT and LARGEST health care factoring firm in the United States. TOWERS is the second largest commercial recovery firm in the country.

Interest payments are dispersed HONTHLY.

There are absolutely NO FEES to the investor. TOWERS pays for all costs of the offering. 100% of your client's money goes to work right away.

NO 1040

INTEREST:

IOMERS secures all notes by a specific UCC-1 full recourse collateralized lien against the creditor's receivables.

The underlying debtors who guarantee payment on the invoices are either A or A+ insurance companies (health care), Federal and/or State agencies (Medicare, Medicare, dedicare, teditaid, Blue Cross etc.) or Dunn & Bradstreet rated 1 and 2 (commercial).

The company is insured by American Credit Indemnity against the underlying debtor being unable to perform due to either bankruptcy or insolvency.

The answers to LIQUIDITY lie in TOWERS' 30 wonth Promissory Note, priced at 3.5% over Chase's Prime Rate. Your client can come out of the program in 90 DAYS with NO PENALTIES.

TOWERS has MEVER failed to make an interest payment or a principal redemption on over \$400 million of note liabilities during a six year period.

PERFORMANCE:

INSURANCE:

This summery to be used by Brokers only, not for solicitation Offering is suitable for accredited limestors out.

TFC | Towers Financial Corporation

CORPORATION

1021 WILSHIRE BOULEVARD, SUITE 630, SANTA MONICA, CA 90403 102-999-1658 113-113-9726 FAX: 113-023-1293

Towers Financial Institutional Offering #5

- AA rating by Duff & Phelps
- 100% Health Care Receivables
- Trustee: Connecticut National Bank
- 3 Year pays 7.85% 5 Year pays 8.85%
- Interest paid quarterly
- 1% commission to Broker-Dealer

Should you have any questions, please call either Steve Block or Wayne Wagner at (800) 999-1658.

FINANCIAL TOWERS CORPORATION PLACEMENT NOTE OFFERING PRIVATE

BENEFITS

TOWERS FINANCIAL:

TOWERS is an eighteen year old public company. TOWERS is the DOMINANT and LARGEST health care factoring firm in the United States. TOWERS is the second largest commercial recovery firm in the country.

MATURITIES:

One, Two, and Three years.

HIGH YIELD:

12% for a One year note. 14% for either a Two or Three year note.

INTEREST:

Interest payments are dispersed MONTHLY.

NO LOAD:

There are absolutely NO FEES to the investor. TOWERS pays for all costs of the offering. 100% of your client's money goes to work right away.

* **COLLATERAL:** TOWERS secures all notes by a specific UCC-1 full recourse collateralized lien against the creditor's receivables.

DEBTORS:

The underlying debtors who guarantee payment on the invoices are either A or A+ insurance companies (health care), Federal and/or State agencies (Medicare, Medicaid, Blue Cross etc.) or Dunn & Bradstreet rated I and 2 (commercial).

INSURANCE:

The company is insured by American Credit Indemnity against the underlying debtor being unable to perform due to either bankruptcy or insolvency.

PERFORMANCE:

TOWERS has NEVER failed to make an interest payment or a principal redemption on over \$400 million of note liabilities during a six year period.

The answers to LIQUIDITY lie in TOWERS' 30 month Promissory Note, priced at 3.5% over Chase's Prime Rate. Your client can come out of the program in 90 DAYS with NO PENALTIES.

Offering is suitable for Accredited Investors ONLY. This summary to be used by Brokers only, not for solicitation.

TOWERS FINANCIAL CORPORATION PRIVATE PLACEMENT NOTE OFFERING

TOWERS FINANCIAL: OVERVIEW

TOWERS Financial Corporation is an eighteen year old publicly traded company. TOWERS is the largest accounts receivable financing company in America's health care industry. On a national scale, TOWERS is the second largest commercial recovery firm in the United States, boasting 1991 revenues of over \$1 BILLION.

INVESTMENT BENEFITS

Promissory Notes TOWERS issues full recourse Promissory Notes that are

available to Accredited Investors only.

Fixed Maturities 12 Months @ 12%

24 Months @ 14%

High Yields 30 Months @ 14%

Fixed Income Interest payments are made on a MONTHLY basis.

Tax Consequences Interest income is fully taxable and is 1099 income.

Investment Sizes Unit sizes are \$100,000 per, however fractional units are available.

Liquidity A special 30 month Note can be purchased that offers investors 90

Day redemption privileges. The rate of interest is 3.5% over the

current Prime Rate at Chase Manhattan Bank.

HIGHLIGHTS

- * TOWERS has raised over \$400 million through these Note Offerings since 1986.
- * TOWERS has never failed to make an interest payment or a redemption of principal to any of its four-thousand plus clients.
- * TOWERS is classified as an Investment Grade Servicer of commercial paper by Duff & Phelps.
- * TOWERS has completed five rated institutional offerings, all five of which were rated AA or AA+ by the agency of Duff & Phelps.

INFORMATION

For further information, please call Steve Block or Wayne Wagner at (800) 999-1658.

TFC Towers Financial Corporation

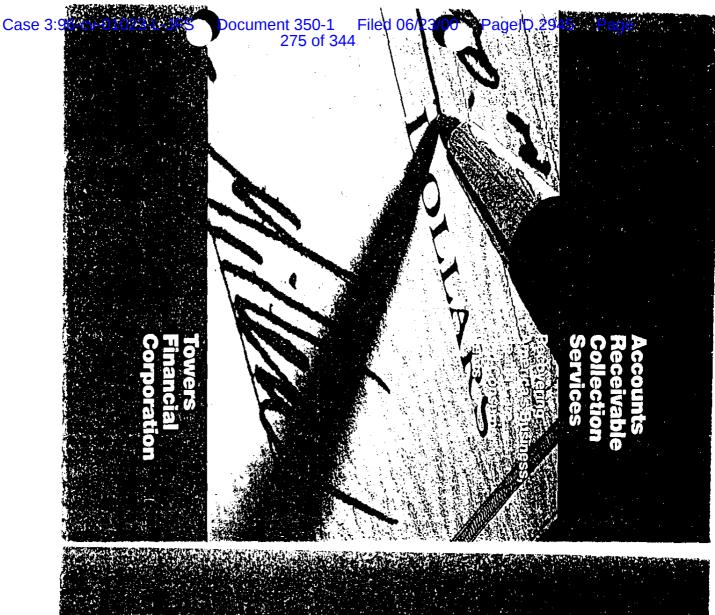
1821 WILSHIRE BOULEVARD, SUITE 650, SANTA MONICA, CA 90403 800-999-1658 310-315-9326 FAX: 310-828-2293

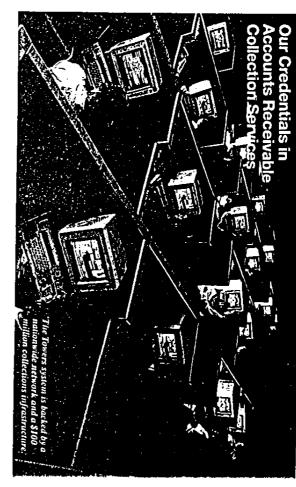
TOWERS FINANCIAL PRIVATE PLACEMENT NOTE OFFERING

BENEFITS

- * TOWERS FINANCIAL: Is an eighteen year old national public company. Towers is the second largest commercial recovery firm in the United States. Towers is the dominant and largest health care factoring firm in the United States.
- * SHORT TERM: One, two, and three year maturities.
- * HIGH YIELD: 12% for one year note.
 - 14% for either two or three year note.
- * <u>INTEREST PAYMENTS</u>: Interest is paid monthly beginning thirty-four days from date of subscription.
- * NO LOAD: There are absolutely no fees to the investor. Towers pays for all costs of the Offering.
- * MARKET RISK: None This security is not traded, therefore there is no market risk or fluctuation of interest or principal.
- * <u>COLLATERAL</u>: Towers secures all notes by a specific UCC-1 full recourse collateralized lien against the debtor's assets.
- * <u>DEBTORS</u>: The underlying debtors who guarantee payment on the invoices are A+ insurance companies (health care), Federal and State agencies (Medicare and Medicaid) or Dunn & Bradstreet rated 1 and 2 (commercial).
- * INSURANCE: The note offering is insured against the underlying debtor being unable to perform due to either bankruptcy, insolvency, or default.
- * PAST PERFORMANCE: Towers has never failed to make an interest payment or principal redemption on over \$400 million of note liabilities during a six year period.

EVIUDIT F





Consumer Debt Business, Health Care and Recovering America's

Document 350-1 276 of 344

Filed 06

Main Street to the large compa-States — from the small shops on of service and bottom line results a numeral leader in this business. due accounts receivable. We are our customers collect their past nies well known on Wall Street tomers throughout the United to more than 23,000 client cusering an exceptionally high level with a reputation carned by deliv-Towers' core business is helping

extended and redefined the tradisis on quality, combined with our tional boundaries of the accounts pioneering new services, has possible. This continuing emphaaccounts receivable as rapidly as debtors, while recovering their tain good will with our customers' improve Towers' ability to mainnel and systems. Our goal is to and effectiveness from its personhigher levels of professionalism Towers has continued to seek Over the past two decades

> every American organization ing credit to their customers. cards at point of sale are extendes that accept checks or credit Even "cash and carry" businessmust extend credit in some form business in this country, nearly ety. And in order to conduct

payment altogether. ables, or even the loss of collection of past due receivand unpleasantness involved in delivered. At worst, it is the time best, the 30- to 60- day delay in nizations pay to grant credit is, at payment for goods or services

critical business function which and financial loss, accounts of this potential for disruption credit in good standing. Because personnel, and to keep its own overhead, to pay suppliers and impact on its ability to maintain often left with cash flow probbecome past due, a company is is the lifeblood of any business. receivable management is a When customer accounts lems that can have a significant

able trends, procedures and keep them current on accounts receive Towers continually trains its staff to



America is a credit-based soci

The price most American orga-

Regular, predictable cash flow

manner. We also provide a full range of related financing, facto speed the flow of capital back into our customers' businesses toring and management services cient, thorough and professional recover past due funds in an effi Towers has the ability to

Clients Benefit From the lowers System

on the "three Ps" of our busiattributed to an intensive focus of the Towers System can be receivable management system Based on many years' expenpresence. ness: people, process and front of the industry. The success which has placed us at the foredeveloped a unique accounts ence in our business, Towers has

industries they serve. We contintives, collectors and paralegals of highly trained and motivated ually educate, train and monitor with extensive experience in the claims analysts, account execunetwork includes attorneys, professionals. Our nationwide People At the heart of the fowers system stands a team

lion collections intrastructure needs can't strain our \$100 mil persistence and results. requires expertise, diplomacy,

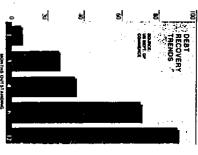
money after bad?" is often the often too busy dealing with man accounts. "Why throw good in an effective manner. They are lect past due accounts receivable — do not have the ability to colattention they deserve. past due receivables with the rationalization for not pursuing spend time chasing problem agement of healthy accounts to Unfortunately, most businesses regardless of size or industry

and the amount ultimately recovered, drop off sharply over time The chances for debt recovery.

these professionals to maintain emment or health care polic) and techniques, as well as gov informed of trends, procedures their skills and keep them

changes.

in these assets, and work to by any competitor serving the clary software are unmatched equipment, systems and proprinationwide data processing Even the largest customers representing more than \$6 billi manage 50 million accounts, capacity to collect, factor and systems currently have the ing capabilities, in order to upgrade Towers' claims proces: industry. We continually invest Process Our state-of-the-art, in accounts receivable annually results for our customers. Our provide low-cost, effective



proprietary software systems credit histories. Applying the Highest ble us to track all accounts performance Standards Since its founding. Towers has worked diligently to raise the W for any client, to track our Sch debior's payment and s with each debtor, and to

combined with our professional

manner — designed to maintain good will between customer and debior — has resulted in repeat business and referrals from thousands of satisfied customers. 10 enhance in the years ahead This is a reputation we intend

ost.

July cous in-house training.

July couse training. consisting of practicing attorneys. collectors, paralegals, credit anatrucers), undertakes a comprehenlysis and investigators (skip sive review of each new collection account and contacts debtors on the basis of this review. Towers

entitle businesses to be paid in a umely manner. Towers has helped to establish accounts receivable management as a legiumate and necessary discipline. leadership is plentful. One indicution of our performance is our proven ability to recover accounts which are substantially Evidence of Towers' industry past due. Another is the significant amount of repeat business we generate. The effectiveness and speed of our collections,

service, at less cost, than in-house personnel. Most important, debt collection agencies, when they do their jobs properly, are more likely to collect from debtors, because original adversarial they are not part of the collection picture." SHEARSON LEHMAN

Pasolive years of relevant expetence. Each new member of the standards of professionalism and effectiveness of a service which has been viewed historically as a who stood the most to gain from "dirty business," often by those its proper application. Starting with an appreciation of its economic function, and building on a belief that the rules of capitalism

¿ollection staff who have at

His to hire individuals for

toward that end, our

his receivable manage

and Professionalism Tomers understands that good

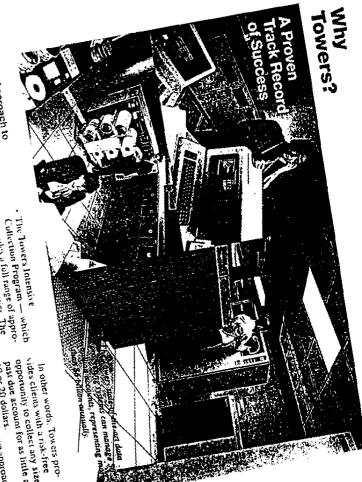
"The advantage to the client in using a third-party servicer is that debt collection agencies generally deliver more effective

te are the key to success in Towers has pumeered new apprinaches care providers. so cush flux musiugeness for health

Our Approach to Towers is a company dedicated Collections to the accounts receivable business. As such, we provide a receivable services, including: complete range of accounts The Towers Advantage program - which provides Collection Letter Writing demand lengt writing services available at one of the lowest fixed costs in the industry. The Leues Writing Program, unlike Towers Advantage Collection involves no up-front fees. Instead any other service of its kind, eries received either by Towers fees are paid out of first recovor the client, after collection. provides a full range of appropriant collection factics. The payment taken out of collected involves no up-from fees, with Towers intensive Program also

Towers to collect one past due account of \$10,000, the program charge (whether a flat fee for the For example, if a client selects centage for the Towers Intensive Leuer Writing Program, or a per-Towers Advantage Collection out of whatever portion of the Collection Program) is taken the client, receives. If we collect \$10,000 debt that Towers, or nothing, you pay nothing of our business involves the interartistic, and more subjective aspect personal skills and judgment that are developed only through continuous training and years of

vides clients with a risk-free opportunity to collect any size past due account for as little as our business with an understanding 10 or 20 dollars. and appreciation of the fact that the collection of past due accounts is both an art and a science. The sci-Philosophically, we approach entific, or quantifiable aspect of our business involves the physical systems and management disciplines necessary to deliver results in an orderly, efficient manner. The



Omind, Towers continually strives to improve the quality of its systems and its people. practical experience. With this in

Opeceivable business, Towers Laccounts — either through the sionalism of our clients. As a we contact our clients' past due for the dynamics of the accounts direct reflection of the profesactions will be viewed as a written or spoken word — our clients. We recognize that when bility as an "agent" for our takes very semously its responsi In addition to this appreciation

with a past due debtor. In short Owill they may wish to maintain Overtently jeopardize the good to the belief that most businesses are built on long-term relationships the specific methods that we hish their reputation or inadhts' trust aking any action that might

tandon the individual circum-stances involved in each situation — based on informa-sion and direction provided by a relected by a client (see demend on the specific program Collection methods applied 'Cellection Programs'' section)

in this brochure. followed exactly as presented Collection Letter Writing gram are well documented A, and guidelines are then tents before any action is

n the Towers Advantage

Case 3:96-ral and state laws and considerably. All of our collec-Under the Towers Intensive Methods applied in collections Collection Program can vary Caccordance with applicable ted tion activities are conducted in

> these efforts can involve: regulations. Nevertheless, all of

- numerous written and verbal to the case; tors and/or attorneys assigned communications from collec-
- attempts to have debtors sign debts; client's ability to collect their which will reinforce our mai payment agreements promissory notes or other for
- ongoing communication with all accounts; chents regarding the status of
- immediate access to account on-line computer capability; information through Towers'

gesult, we never violate our



µSENo collect past due accounts

- debtor account; and direction regarding the most specific and well-reasoned appropriate actions to take, based on the behavior of the
- close supervision over the attorneys, and access to these individuals for any information account by Towers' own staff regarding accounts.

receivables annually

Selecting the Best

agency is best suited to handle decision it must make is which can alone, then the most critical better collection results than it premise that an experienced, its past due accounts. reliable third party can produce If a company accepts the

enly assume that they are clients as a secondary service. credentials in that specialized cy is no easy task. Large credit vice the industry has to offer. receiving the best level of ser-And those clients often mistak reporting firms, with legitimate receivable collection to their field, often provide accounts Selection of a collection agen

assurance that they can improve - simply because there is no stick with their decision for years an arbitrary agency selection and tion, many companies will make their competitors. Out of frustrabe better, quicker or cheaper than ence and expertise, claiming to agencies of varying size, experiby the large number of collection their situation. Selection is also made difficult

thousands of satisfied clients best at what we do, and have ed evidence. We think we're the business are based on document accounts receivable collection who agree. lowers' credentials in the

then you have nothing to lose and ing from the full potential of much to gain by using Towers. accounts receivable collection, If you're serious about benefit-

Compare Towers to the Competition

	Towers	Competitic
• One of the targest collection institutions in America	ঽ	
No up-front fees for collections	<u>ş</u> [ے ر
No long-term contracts required	દ્રા	- (
No annual minimum placement of accounts receivable		
Experience: Experience based on more than 23,000 clients	દ્	□ .
· Senior collectors with a minimum of five years collection experience	ड्र	⊐ (
 In-house legal department with full-time lawyers, paralegals and collectors 	Q	
Services: Ability to purchase your current and past due accounts	<u>s</u>	
- Ability to finance accounts receivable	ड्रा) I
 Same day contact of debtors once contracts are received 	Q	□ (
 Status reports — case by case — over the phone 	<u></u>	
 Ability to manage and service, total accounts receivable needs 	Q(
 Tape-to-tape computer hookup capability 	I	
 Fax and overnight express pickups from debtors 	Q	
Resources:	i	
· Completely computerized recovery department	Q	
 Access to a nationwide network of lawyers and paralegals 	Q	
• \$100 million collection infrastructure in place	Q 1	
 Capacity to manage 50 million accounts representing \$6 billion in receivables annually 	Q.	

Collection Service? Why Towers

- Towers offers the lowest fixed-cost, contingency-based, immediate-results, letter-writing program available.
- of appropriate recovery procedures. Towers also offers contingency-based, intensive collection programs providing a full range
- Towers charges no up-front or advance costs for any of our programs. Towers is paid only when recoveries are made.
- Towers' programs are the most comprehensive, yet flexible, programs available
- Towers is almost alone in its understanding of how to lend its clients money against accounts receivable, or to purchase accounts receivable outright.
- Towers is a recognized leader in the accounts receivable collection industry, with a nationwide presence and capability.
- Towers serves 23,000 clients in industry, health care, banking, education and government
- Towers has accounts receivable of more than \$1.5 billion under contract, and more than \$600 million in assets.

Towers is an approved government contractor on the federal, state and municipal levels

- Towers is one of the few publicly owned accounts receivable collection institutions. We have more than 1,500 employees and independent contractors nationwide.
- Towers maintains a large legal department, staffed with thoroughly knowledgeable full-time. in-house collection lawyers, paralegals and collectors.
- Towers can manage and service the total accounts receivable needs of our clients, as it is doing Towers maintains one of the largest accounts receivable collection service centers in the country, for businesses and medical organizations now. with 700 people in the headquarters site alone.
- Towers' \$100 million investment in its internal capabilities has provided a capacity to service more than 50 million accounts annually.

Programs Collections



Program Options A Broad Range Of

range of accounts receivable collection programs available graduated system of collection payment. Towers has designed a application of the least degree of able collection often involves that the "art" of accounts receivanywhere. Because we understand Towers provides the broadest persuasion necessary to generate

- tailored to meet the complexity or seriousness of each situation
- order to be paid quickly, while applied in incremental steps, in of past due debtors. still maintaining the good will

any client/customer requirement selection of product services to fill collection strategies with a large programs, featuring various of flexibility and customization, Towers has created two distinct To provide this high degree

Sollection Letter <mark>A</mark>dvantage Writing Program The Towers

Contingency-based demand letter telephone contact, in order to as a means of applying various generate payment and prevent combinations of written and mere. It was created by Towers Thing program available anyand lowest priced, fixed-cost, blogram is the most effective pllection Letter Writing The Towers Advantage lection Letter Writing owers Advantage count from becoming a terrous collection problem.

paythe program fee from the price payment options, which Writing Program is its fixed-Advantage Collection Letter harge of 10% of the program results, which will include a Lirst collections of program vpes of outstanding debt. catures of the Towers ingcharges; or pasthe program fee up front ee to cover billing and pro-One of the most innovative able customers to either:

wher pay the program's flat fee past-due account, they may When a Towers client selects ptions to collect a the Towers Advantage on Letter Writing pro-

mout any billing or process.

available: Letter Writing Program options by any other collection agency results that cannot be matched bination of low cost and quick Writing Program delivers a comeither case, the Towers Towers Advantage Collection Advantage Collection Letter Here is the full range of the

Program 1

debtor. These communications. ters from Towers to an account ous about collection. let debtors know that you're seripresented on Towers letterhead four (4) separate collection let-Program 1 provides delivery of

Program 2

cogram is intended for all

non-payment problem is. stage, account debtors underof four (4) separate collection Program 2 also provides delivery stand how serious the ence to litigation is made at this department. Although no referhowever, are presented on staaccount debtor. These letters, letters from Towers to an tionery from Towers' legal

Program 3

serves to reinforce your intention ducted in a professional manner, sentative, who will request an account debtor will receive these written communications, to collect from the account lowers customer service repreters on Towers letterhead to an Program 3 provides delivery of This additional step, always conpayment for the amount due. telephone calls from a trained account debtor. In addition to four (4) separate collection let-

(tyr example, \$10) up front, or

Make \$11 (\$10 + 10%) taken from the collected funds. In 0-10%

Program 4

obligations. account debtors to meet their payment, and in persuading ence in handling objections to sional collectors. These telephone calls from one of an account debtor will receive an account debtor. In addition, letters on Towers letterhead to of four (4) separate collection Program 4 provides delivery collectors have years of experi-Towers' highly trained, profes-

of four (4) separate collection threatening) argument for debtors with a serious (but nonis trained to present account phone calls from a collector in account debtor will receive telewritten communications, an in addition, and supporting the letters from Towers' legal Program 5 provides delivery repartment to an account debtor. lowers' legal department, who

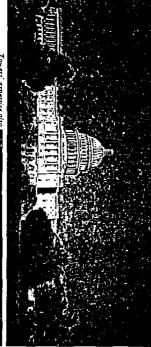
Program 5

Program 6

immediate payment is necessary. ness of the matter, and brings an account debtor of the seriouslegal department. This persistent calls from a collector in Towers' will receive ongoing telephone In addition, an account debtor department to an account debtor letters from Towers' legal of four (4) separate collection Program 6 provides delivery about an understanding that approach frequently convinces

Program 7

receives a detailed written status end of 30 days, the client department. In addition, at the from a collector in Towers' legal department to an account debtor. of four (4) separate collection Program 7 provides delivery the collection calls to the report explaining the results of receive ongoing telephone calls An account debtor will also letters from Towers' legai



RTC/FDIC and banking industry accounts Towers' expertise also

eceivable.



account debtor.

Program 9

complex as those needs dictate. cems, and may be as simple or as grams are designed to address price arrangement. These proof a customized account collec-Program 9 involves developmen specialized client needs and contion approach, within a fixed

come out of first proceeds received by Towers or the client programs are subject. Towers to which all Towers collection over 30 to 60 days, depending on grams are generally conducted Collection Letter Writing pro-The Towers Advantage ecovers its fees, which will will pursue debtors until it applicable tederal and state laws

Program 8

over each 30-day period. collectors will attempt to negotiexperienced collectors in calls from one of Towers' most explanation of the progress made collectors provide a detailed personalized program, semon receive payment. In this highly order for Towers' client to ate with an account debtor in will receive ongoing telephone department to an account debtor of four (4) separate collection Program 8 provides delivery Towers' legal department. Senior in addition, an account debtor letters from Towers' legal

P Collection **Program** The Towers

The longer an account receivable

5 is left uncollected, the more dif
6 ficult it becomes to be L believes that these write-offs are The longer an account receivable often unnecessary, and should ten off, as bad debt. Towers become, and are eventually write payment. In addition, longalways be viewed only as a last standing receivables often

O portion of these debts.
O portion of these debts.
O As with our fixed-pric
O Advantage Collection L
Writing Program, and u Writing Program, and unlike to recover all or a significant Advantage Collection Letter obst other collection agencies. there are no up-front fees of As with our fixed-price Towers e collection program designed or delinquent accounts, ers has structured an inten-

1 Relainers involved in the Towers
1 Pagensive Collection Program.
2 For these difficult collection
3 efforts, we work strictly on a sequingency basis, which means we will get results or we don't get paid.
2 The Towers Intensive
3 Collection Program provides whatever collection resources are necessary to collect your past due

Case 3:96-cv-01023-L informed of developments payment. Towers clients are kept our legal department requesting ounts quickly and amicably. cors receive numerous written verbal communications from

regarding all accounts.

Program: types of debtor accounts, two involved in collecting different the Towers Intensive Collection separate fee structures exist for Because of the complexities

BUSINESS AND COMMERCIAL DEBT

collection: involving commercial debts (busifollowing fees are applied, after ness-to-business transactions), the For collection of past due accounts

Fee 25/20% ş Age of Account For each collection, Up to 90 days old 25% of the first \$2,000 120 days old More than 90 and less than

P)us costs 40 to 50% Upon your written authorization, accounts will be assigned to attorneys of This fee will apply to all collections made after your choice for lingation days old

receipt of your written

IUmor zauon.

CONSUMER, RETAIL AND INDIVIDUAL DEBT

applied, after collection: transactions), the following fees are involving consumer debts (retail For collection of past due accounts

33 1/3% 20% \$00 2 Up to 90 days old More than 90 and less than Age of Account 120 days old

Plus costs More than 120 days old rization, accounts will be assigned to attorneys of Upon your written authoyour choice for litigation This fee will apply to all

collections made after

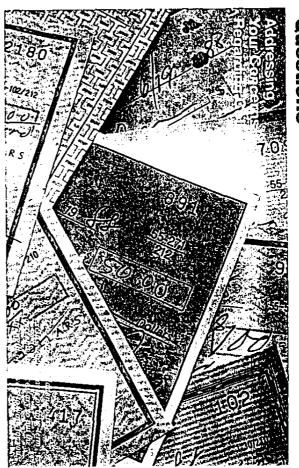
eccipt of your written

collected, and 20% of the

for debts more than 120 excess of \$2,000 collected



Frequently Asked Questions



provide an in-depth response. question or concern that is not bilities. However, if you have a sentative will be happy to business, our methods and capaaddressed here, a Towers repretions regarding the collections We are often asked similar ques-

process internally? handle the collections sn't it more effective to

positive results can be gained. due accounts. And at some comhave individuals who handle past fairly professional manner, and panies this task is managed in a Most companies do, in fact,

Depending on the seriousness

and the ability of internal staff to number of past due accounts. debts to a qualified institution. assign collection of past due often makes more sense to manage this sensitive area, it

objections and stall tactics from ed to get results. or accounting staff member who ists, familiar with standard may be too busy or less motivattive than an internal bookkeeper debtors, are usually more effec-Experienced recovery special-

a third party in the collection ousness of the matter, and to the debtor regarding the senprocess often sends a clear signal In addition, the involvement of

effective catalysi for prompt payment. therefore can serve as a more

firm to collect debts? Should we use our inside legal counsel or outside law

some cases, the use of an attoror expertise of a lawyer, and in can be unwise to use your own to the debtor or send an inappropriate message ney can slow down the process legal resources. First, many collections do not require the time There are two reasons why it

essary to use legal resources, it lawyer who is not a collection makes little sense to involve a Second, when it becomes nec-

or harassment. curve. Nor do you risk losing knowledge regarding state and their inexperience or a lack of time collection law specialists,

Are there hidden costs or case to be prepared. is no wasted time waiting for the both factually and legally, so that if litigation becomes necessary, there have the capacity to present a case attomeys, paralegals and collectors

contingency fees in any of Towers' collection programs?

How can I be sure that Towers ules presented in this brochure. debtor, according to the schedof what is collected from the payment is made as a percentage intensive Collection Program. tomers to pay. With the Towers front, with two ways for cus-Writing Program are stated up Advantage Collection Letter No. All fees for the Towers

can deliver on its claims? We recognize that some agen-

and effectiveness. We hold all est standards of professionalism customers to maintain the highencourage prospective clients to company with an obligation to doing business with us. scrutinize our credentials before cies have a poor track record its shareholders, employees and their promises. However, we when it comes to delivering on Towers is a publicly traded

appropriate and necessary. And lederal laws involving collection your claim in court as a result of you do not pay for their learning because our lawyers are full-

In addition, Towers' staff of

ondary business (or that lacks of difference between a company used large credit reporting ser-Service. ing the highest quality collection firm that's dedicated to deliverexpenence and resources), and a that handles collections as a sections, often find there is a world collection agencies for collecvices or small to medium-sized Some clients who formerly

What If Iltigation Is Why pay more for less?

lawyer of your choice) assist in merit, Towers will (with a analysts believe the account has attempted, and if Towers' legal means of collection have been necessary If, after all other appropriate

client

necessary licenses to do busi-

and our results are well docuness. Our personnel are bonded

lawyers are used only when it is

law specialist. At Towers, our

on trust and performance. What if I'm currently seeks long-time relationships built to deliver on our promises. Towers hard-carned reputation by failing In short, we will not risk our

collection company? satisfied with another

capabilities by assigning us a or on the Towers Intensive Collection Program basis. collection — either on one of the number of past due accounts for level of service against Towers sense to compare your current ments. We do suggest, however interrupt your current arrangements, so there is no need to make any long-term committo sign exclusive contracts or Letter Writing Program options, Towers Advantage Collection that it makes good business Towers does not require clients of lingation far outweigh the manner possible expeditious and cost-effective are always handled in the most collections litigation, these cases Towers' depth of experience in addition, and as a result of time and expense involved. In the potential economic benefits that Towers will not recommend legal action for a client unless It is important to remember

for a client at one time? How many past due accounts can Towers handle

of accounts Towers can simultaneously handle for a client. For There is no limit to the number

deliver consistent levels of handling one or ten thousand mance --- whether we're service and bottom-line perforcollections procedures and highmanage fewer, based on their past due accounts for a particular tracking and reporting systems, individual needs. Our proprietary basis; for our smaller clients we past due accounts on an ongoing may manage thousands of their many of our larger clients we ly trained staff enable us to

exceeds 50 million accounts \$6 billion in receivables per year. annually, representing more than Our collection capacity

costs and attorney fees. clients are responsible for court Collection Program schedule, outlined in the Towers Intensive addition to the collection fees competent legal counsel and litigation process for you. In will, if you choose, manage the Towers will help you choose your litigation. If you wish, correspondence which might

our stated fee schedule.

With Towers Working



Getting Started

compounded by difficulty in business with Towers very easy. dealing with a collection agency debtor accounts should not be is involved in dealing with At Towers, we think the difficul-Toward that end, we make doing

chent need only: To begin an assignment, a Select one of the nine

Fill out the appropriate any statements, invoices and Attach to each agreement account agreement(s). Program. Program options, or the Collection Letter Writing Towers Intensive Collection Towers Advantage

have been assigned is subject to those debtors whose accounts we which you receive directly from deduction of any fees. Money will be remitted to you after permission. All money recovered by Towers

out your knowledge and written

help Towers to collect the

Before proceeding with your Subinit the agreement and documentation to lowers. pust due debt.

a Towers professional, who will clarity basic information, and account, you'll be contacted by legal action will take place withed. No litigation or any other collection effort will be conductlet you know how and when the

cerns regarding the account State, call 212-696-0505 800-553-3322. Within New York tive office toll-free at representative, or call our execudures, ask your Towers application process, or any aspect of our collection proce-

account submitted to Towers. open fees due Towers for an account. Towers may use any for the fees applicable to such account uncollectable. You will, process before the debt has been funds collected to offset any however, still be liable to Towers paid, or before Towers deems the If you have questions or con-You may stop the collection





The Crisis in 8.S. Health Care

rinancing

ற்sந்த money on patient care, gly difficult to maintain. cost controls and a prospective major cause of this worsening From the provider's viewpoint, a tor-owned and not-for-profit—are and small, urban and rural, inves-Gosings has dramatized the fact The growing rate of hospital mew to most of the nation's Shoestring economics is nothing 😽83, which featured stringent government's introduction of eash squeeze was the tederal and are in danger of insolvency. nityhealth care facilities—large that more than half of all commuof existence has been increascover costs, and has historically duite enough on patient care to Cal hospital has never earned is alth care providers. The typ. ethod of payment based on agnosis-Related Groups in years, this precarious mode black. But over the past ivate philanthropy to stay on government programs





other qualified staff; greater drugs; shortages of nurses and price of new technology and accommodate the need or high spending were not designed to mandates to hold the line on Unfortunately, these federal

ually spent.

d, rather than what they nospitals are supposed to

or charges, billings could be of bad debts and charity care. epidemic; or skyrocketing costs aging population and the AIDS spectively on the basis of costs When hospitals were paid retrointensity of services due to an

that "Our nation's health care

of all types are feeling the squeeze. exists, and health care providers that financial flexibility no longer losses of the previous year, and raised each year to recoup the to ease cash flow demands. But

nation's health care facilities are reimbursements. Medicaid and Medicare bear an increasingly larger claims review. And they must providers who have tightened for repayment from third-party controls. They must wait longer an environment of stringent cost the cost of goods and services in caught in an economic dilemma. sequent legislation in 1985, the Under the DRG formula and subburden of the shortfalls from They must address inflation in

> į 1947 ş kroe kurs kroe kroe

ing industry executives, warned Care, a blue-ribbon panel of lead Committee for Quality Health at risk of failure within the next believe their own hospitals to be executives found that 48% proven extremely difficult as five years. And the National Touche Ross survey of hospital industry headed? A recent Where is the nation's health care sources, and as many have seen nity and traditional lending scrutiny by the financial commushrinking patient margins have rowing at a reasonable cost has cipal source of funds for today's Borrowing has become the printheir credit rating downgraded. subjected hospitals to closer health care institution. But borels of financial stability.

condition," and reported that opportunity for health care pro-Funding Program—a unique dictions from knowledgeable entire system will be jeoparchanged, the solvency of the unless current trends are opment of The Receivables lysts that have led to the develdized. These are hard-nosed system is approaching critical viders to help restore higher levsources. They are also the catalacts, strong words and dire pre-

ing for health care providers with hat generates necessary fundmeed to: ealth care economic crisis, n-response to the growing U.S. eveloped a nationwide program Wers Financial Corporation has

runding Program

Receivables 1

eollect a greater portion of the Sovernment agencies, and entitled. Qunds to which they are panies and state/federal) the time delays brought slow-paying insurance

and profesional manner. operations in a highly effective othenhealth care providers to monOwhich enables hospitals, approach to cash flow managegrandis a revolutionary new ₹S the health care industry con-Murance filing/reimbursement contract billing, collection and The Receivables Funding Pro-Thics, doctors, dentists and

demands of a growing and pressed to handle the com-Thy aging population, the peomedical needs will be institutions that address

> organizations. financial administration of those intensive tasks involved in the

Program participants. costs. The Receivables Funding even higher degree of govern-Program addresses these three greater demand for services, an professionals—from both the in the years ahead, health care trends head-on, ensuring the tinued increases in operating mental intervention, and conthe business—can expect to see medical and managerial sides of financial stability and liquidity of

pletes within 60 days. the factoring fee) upon collec-tion—which TFC usually comparties, Following this initial due from commercial insurance, providers up to 50% immediate gram gives qualified health care balance of receivables (minus Kiedicaid, Kiedicare and private payment for accounts receivable The Receivables Funding Profunding, the Program pays the

them to manage ongoing overfinancing capability—enabling may enjoy the same short-term firms with substantial assets or Historically, only established able; now smaller businesses finance their accounts receivcash flow have been qualified to

> rent and taxes without borrowhead expenses such as payroll, payment of their receivables. 120 or sometimes 180 days for ing or having to wait up to 90,

chasing a hospital's receivables ernment agencies. After purand providing immediate fundinsurance companies and govdelays in payments from major Receivables Funding Program is Another major feature of the the elimination of crippling





receivables management and applies its extensive expertise in collection in order to recover the funds due from third-party

payment cycle for Towers Finanin-house systems, the average experience and organization, health care industry and its Because of its knowledge of the result of its focus and extensive the claims process. And as a review and monitor each step of Towers Financial is able to

cial is less than 60 days.

multi-million dollar data procapplication of a state-of-the-art,

cifically to increase collection essing capability, designed spe

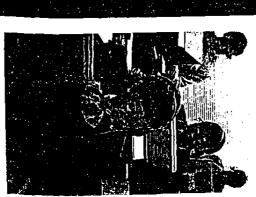
thorough examination of claims submissions, in order to ensure quick payment, and to reduce and eliminate third-party provider deductions that are ncorrect;

elimination of internal staffing costs through use of TFC's highly trained personnel;

related Program benefits For health care providers, other

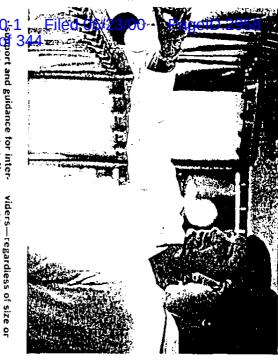
accounts receivable generated each month; tional audit control for all efficiency and to create an addi

a substantial credit line availcan be used for various purotterings: ing for fundraising or bond poses, including bridge financable through factoring, which



Case 3:96-cv-01023-L tists and other health care proleuical groups, doctors, den-

Page



of problems and challenges, with the opportunity to apply the sophistication—are provided viders—regardless of size or firm's expertise to a wide variety

On politing collection of accounts mal claims management staff,

 organization of financial management controls,

addition to the specific Pro-

am-related benefits, TFC's

seceivables Funding clients have

cess to an extremely high level ion. Hospitals, clinics, inseling and management

Pand controls, etc.

including:

∄ppropriate in∙house systems ਜਵਾਨ ivable, establishment of

- debentures to provide cash underwriting of bonds and
- assistance in selling or restructuring ownership,

- legislative issues, direction on governmental and
- and benefits programs, structuring of group insurance
- rights. ing to health care and collection

overly regulated industry whose cation of this program within services are vital to the nation's gram is viewed by many leading well-being. Towers Financial Corhealth care professionals as a The Receivables Funding Prorestore financial stability to an your own organization. the potential benefits and appliporation invites you to explore long-awaited opportunity to

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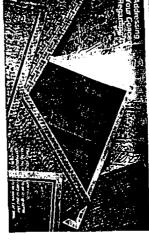
guidance on legal matters relat-

mcrease creditwortniness,

15'55 Pages Sent: 10 Pages Printed: 0

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Frequently Asked Questions



effective cample for branch

SEND CONFIRMATION REPORT for SEW Offices Timothy C. Karen 619 258 6817 Oct-14-98 8:47AM

Printer/Fax/Copier/Scanner

^LQuestions &

The Program purchase? What types of receivables does

worthy accounts. For health care party receivables, payable by qualify, as well as many private providers, most insurance carperitutional third parties, such TFC will purchase any creditiers and government agencies ons and major

orations.

pay for the accounts? low much will the Program

City factoring fee) upon collec-Cies—which TFC usually com-Depending on the age, size and poletes within 60 days. ________bance of receivables (minus payment for up to 50% of the Creditworthiness of the debtor, -funding, the Program pays the OFFC will provide immediate cash actounts. Following this initial lotal of the face value of the

Latter the Program purchases the Gaccounts? care provider receive payment How quickly does the health

Within 48 hours of finalization of

purchase agreement.

ble for purchase of the What sort of account is ineligi-

Bankruptcies, insolvencies and disputed claims are ineligible.

May the health care provider to sell? select which accounts it chooses

few or as many as it wishes. Yes. The provider may sell as

May the provider borrow against its receivables? factor. No. TFC is a purchase-only

> ▶ What sort of commissions or fees are involved in the

value of the accounts receivable fee of up to 15% of the face account, TFC charges a factoring for each account receivable. For collecting and servicing the

credentials? ments, in terms of provider What are the Program require-

purchases to companies with an Bradstreet or A.M. Best Co. acceptable rating from Dun & The Program generally limits its





ment has a number of specific warranty that the accounts requirements, most notabíy, a What sort of collection guaran-The Program's purchase agree ees does the Program involve?

source for purchase of the What is the capitalization receivables by the Program?

private placement of debt instrumillion in recourse promissory the purchase of health care ments up to \$500 million, for bank has agreed to manage a banks and institutional investors notes purchased by a number of The Program is backed by \$100 receivables. In addition, a leading investment the country's most prominent

What is the Program's total funding capacity?

of its data processing facilities resources, combined with TFC's at any one time. dollars of health care receivables manage and collect over a billion Program with the capacity to and physical plant provides the recent investment in expansion The Program's financial

cash flow and lessen insolvency

dispute. receivable are valid and not in

health care providers to improve

endorsed the purchase of receivtederal and state regulators? ables as a viable means for Resources Agency recently Yes. In fact, the Health & Human Is this Program acceptable to

panies involved in purchase of Why should a health care instireceivables? Corporation over the other comtution consider lowers Financia

ability to identify, originate, manin its field, due to its unmatched cial accounts. ence in managing and servicing age and collect health care more than 15 years of experi-TFC is recognized as the leader receivables. The company has nealth care, as well as commer



Program

OWorksheet 6

OThis worksheet is intended to Ca potential means of increasing Cash flow and expediting the payproviders considering The OReceivables Funding Program as Serve as a tool for health care ment of outstanding accounts.

Gor determining the applicability of the Program to their particular participation. an application for Program Situation. This worksheet is not uation, and as an objective basis neir current receivables sitessionals with an overview worksheet questions are ned to provide health care

Documen 2007 ്റ്റ് Jontact Towers Financial The worksheet, please feel free ing or evaluating the results of woyld like assistance in complet-It you have any questions, or

Rough breakdown of receivables:	Total accounts receivable currently outstanding

ਨ _% workman's comp _% private patient % private insurance % Medicaid % personal injury % Medicare

.% other

Approximately annual bad debt write-off Approximate number of insurance companies billed

Accounts receivable aging:

.% 30 days or less __% over 120 days % 90 to 120 days

_% 61 to 90 days _% 31 to 60 days

Number of accounts receivable against which judgements or liens have been filed

eligible for purchase by Program. Estimated total face value of accounts receivable

purchase over the next year Estimated value of accounts eligible for Program

Current cash flow requirements

Corporation fowers Financial

well equipped to acquire, service of accounts receivable servicing Corporation, a publicly owned and ethical manner. receivable in a highly efficient and collect health care accounts visors and attorneys—TFC is claims examiners, claims superadjusters, insurance administrasisting of trained insurance and financing. Through its procompany with more than 15 written by Towers Financial grma was developed and undertors, collectors, paralegals, fessional collection team—conyears of experience in the field The Receivables Funding Pro-

major industries—providing assistance to more than 9,000 companies. TFC currently servincluding many FORTUNE 1000 clients in the United States, extends into a number of other accounts receivable business company's leadership role in the and collection programs. The extensive data processing syscare industry is matched by its resource capability in the health TFC's impressive human tems and proprietary tracking

inventory financing, corporate financing,

machinery and equipment leasing,

introduction of mortgage backed financing of corporate buy-outs. is planned. activity in the overseas markets business asset bonds. Additional the European marketplace, with In 1988, the company entered

ing approximately 100,000 three contiguous floors occupylocated in New York City on

ices outstanding debt for more than 500,000 accounts.

with many other forms of asset ated companies supply clients ing activities, TFC and its affilireceivable factoring and financstate. In addition to its accounts branch offices in nearly every within a national network of independent agents operating more than 1,200 employees and also well-known as a diversified financial services company, with Towers Financial Corporation is

based funding, including:

417 Fifth Avenue

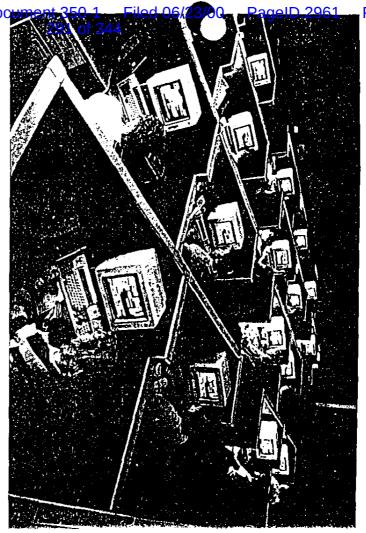
The company's headquarters are

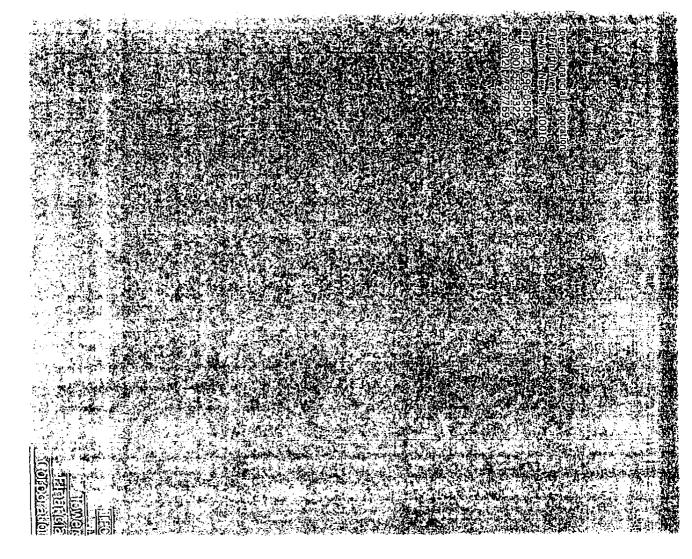
more than \$110 million in 1989 has grown steadily, with gross square feet at a prestigious mid-\$180 million and total assets of revenues reaching more than years, TFC's financial strength lown location. Over the past four

The Receivables Funding Program, write or call TFC's Towers Financial Corporation manager and health care To learn more about facilities financing at:

Tel (212) 695-0505 (800) 553-3322 Fax (212) 779-7969 New York, New York 10016

consultation. cost inclved in the initial There is no obligation or





Case 3:96-cv-01023-L-JF3 (Document 350-1 Filed 09/23/00) PagetD 2963

TOWERS' HEALTHCARE
FUNDING AND
AUTOMATED CLAIMS
MANAGEMENT SYSTEMS





TOWERS' HEALTHCARE FUNDING AND AUTOMATED CLAIMS MANAGEMENT SYSTEMS

Towers Financial Corporation's Healthcare Funding Program provides an accounts receivable line of credit against third party reimbursable receivables. Towers' funds are an excellent source of immediately available additional working capital...funds which can be used not only to pay bills, but also to negotiate substantially better prices with vendors.

The savings, as much as 10% to 15%, resulting from this increased purchasing power, from the additional working capital provided by Towers accounts receivable line of credit, will more than offset the program's modest cost.

Case 3:96-cv-01023-L-JF5



More Predictable Cash Flow Same Day Funding Means A

collecting, turn-around time on all outstanding automated claims management, including billing and Because of Towers' demonstrated expertise in is forwarded when Towers collects the account. second half of the receivable, less Towers' modest fee, on the very same day that each claim is billed. The one half of a third party receivables reimbursable value day funding for submitted bills. Towers will pay up to receivables is greatly reduced. Towers' Healthcare Funding Program provides same

Reimbursable Claims Management Financial Classifications For

third party reimbursable classifications are included coverage for self-administered healthcare plans. All organizations, unions, and corporate employee compensation, HMO and preferred provider in its role as a carrier and intermediary, for government including Medi-Cal in the state of California, workers nationwide Medicare, state by state Medicaid programs payment programs, all private insurance carriers, cluding but not limited to Blue Cross and Blue Shield, reimbursable accounts receivable classification inprocessing and collection for each and every type of Towers' Healthcare Funding Program addresses claims

Management Systems **Towers Automated Claims**

extra charge. The savings that result from this no-cost ed technology to bill and administer all types of third is substantial ment system utilizes this up to the minute computenzware and software. The automated claims manage ing system which includes both state-of-the-art hardprocessing companies in America, a full data process upgrade of computer capability and billing programs ware and software, to participants in its programs at no party reimbursable accounts receivable. In addition, Towers provides this technology, including both hard Towers is able to provide, through some of the best date

II • & Pre-certification Verification

patients for treatment. Healthcare providers present systems of admitting Iowers will review and correct any defects within the

Claims Review For Preparation Billing Processing Edits And Of UB 82 And HCFA 1500

systems and controls and the installation of edit systems entire claims reimbursement system. Included in this analysts in the back office to supervise and manage the that will address billing errors to ensure the initial program is the establishment of appropriate in-house training of staff and the stationing of expert claims ing of UB 82 and HCFA 1500. This system will include Towers will review and correct any defect in processproduction of a clean claim.







Document 350-1 295 of 3

Insurance Expertise

other healthcare providers. In a majority of states, insurance companies must pay claims within thirty which insurance carriers must reimburse hospitals and are adhered to. (30) days, Towers' program assures that these deadlines Most states have laws which govern the speed with inordinate delays in payments by insurance carriers Towers provides insurance regulatory expertise to stop

Electronic Claims Transfer

billing errors accelerate the recovery process and curtail manual receivable that the payor can accept. This program will electronic claims submission systems can be installed for each reimbursable classification of accounts Included in the Towers claims management systems

Collection Recall System

moving through the third party payor's systems. This ment. The healthcare provider will be capable of specifically to cut-back the time delay in reimbursespecialized software was developed by Towers that operates under Towers' staff supervision. This ment. Collection will be handled by the recall software each claim that has been submitted for reimburseand all third party payors. The healthcare provider will insurance carriers, Medicaid and Medicare, plus any trace reimbursements for Blue Cross/Blue Shield, all receivable of all classifications. collection recall system is an important breakthrough have a system that will track, pinpoint, and follow-up in monitoring and collecting reimbursable accounts knowing the on-going status of their claims that are Towers will install a collection recall system that will

Re-billing Of Rejected Claims

will be monitored by Towers Collection Recall System to qualify for reimbursement. Thereafter, the claims in order to re-submit a clean claim as soon as possible Towers will address the need to re-bill rejected claims





Medical Reasons Claims Denied For

receiving lawful reimbursement. the rights of a third party payor to deny a claim for medical reasons will assist the healthcare provider in in understanding the rules and regulations governing have been denied for medical reasons. Our expertise Towers addresses the problem of collecting claims that

Supervising Claims Analysts FTE Staff Savings And

and save the cost of FTE's with the benefit of the and are fully trained to handle any claims problems. enabling existing staff training in handling claims assignment in the healthcare provider's back office, percentage of reimbursement of third party receivables, their expertise in claims processing will yield a higher management that will assist in the collection of third proper billing and collection of third party receivables processing. Towers claims analysts are experts in the resulting in greater revenues to healthcare providers increase prompt collection of receivables, but Towers' support staff will not only enhance and lowers healthcare funding and support program. party reimbursable receivables, solve billing problems, This support staff will provide an expert level of Towers' supervising claims analysts are available for

Physician Support Attending & Referring

and referring physicians, to assist them in meeting the allowing more time for patient care and practice reducing office overhead, increasing cash flow and these to be a substantial benefit to their practices, available to attending physicians. Doctors will find captial, technology and savings which the Towers financial needs of operating their private practices. The enhancement. The bottom line being fewer headaches program provides to hosptials will also be made Towers also provides a funding program for attending and greater net income.

Banking Relationships No Impairment Of

addition to, and not a replacement of, current substantially greater financing which will be in banking relationships. Towers values accounts operating losses. Towers' Healthcare Funding Program worth. In addition, banks are extremely negative to provide financing accommodations against that net provides working capital to greatly enhance cash flow. receivable for their actual reimbursable amount and The Towers Healthcare Funding Program will provide is not affected by the profit or loss of a hospital hospitals which do not generate probts, and show Fraditionally, banks do not have the flexibility to



■ Better Service Most Importantly,

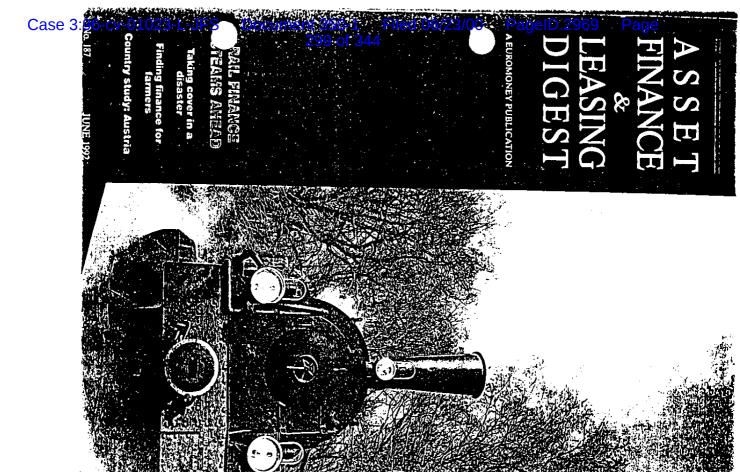
health care providers. administer third party reimbursable accounts enables hospitals to attract and hire more and better and increases purchasing power. This financing in turn hospitals, nursing homes, medical groups, and other furnishes a flexible program that is of major benefit to listens and reacts to providers' individual needs and of accounts receivable reimbursement possible. Towers allows providers to, in return, receive the highest level receivables. This upgraded data processing capability computerized technology to bill, monitor, and increase out-patient services. Towers' Automated physicians, purchase or upgrade equipment, and working capital acilitates payment of outstanding bills, added and improved services to patients. Greater Systems is that it allows healthcare providers to offer Claims Management System provides state-of-the-art Funding and Automated Claims Management The most important benefit of Towers' Healthcare



Document 350-1 297 of 344



17 FIFTH AVENUE, NEW YORK, NY 10016 (212) 696-0505 TOLL-FREE: (800) 553-3322



Towering over US healthcare

Occupying a prominent Gilbert investigates this Corporation. Nathaniel healthcare factoring is novel company. Towers Financial position in US

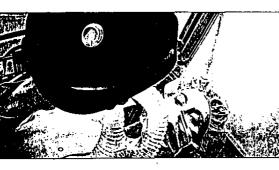
that can operate doctors' billing, collec-tion, funding and accounts receivable claims management. This will be the nstitutions — the first securities of their kind. This year it is also offering medical private practice office system ospitals, nursing homes, clinics and ceivables from a variety of healthcare calthcare industry, holding more than billion in receivables, primarily from ceivable factor the most specialised niches of sies the dominant position in one lowers), although not known butside the healthcare industry, wers Financial Corporation A-rated securities using its position by creating the largest accounts America's

4-hour working day set the pace for the itst nationwide service of its kind.
The driving force behind Towers is an niense 46-year-old workaholic, Steven offenberg, whose entrepreneurial intore than 1,500 employees and

ndependent representatives.
Encouraged by the success of his healthcare collections, Hossenberg is options starting as low as \$10 per ow launching a collection system

Towers, founded by Hoffenberg 16 rears ago, had assets of \$514 million





ware programs. The company's programs are backed by \$500 million in promissory notes, and it spent \$27.3 million to service interest on notes in berg says that the company is still in its development phase, and it spends a large amount of money on training its staff and developing and deploying its receivables under management at the end of 1991 (corporate factoring is a 575 billion industry in the US). Towers' gross revenues last year were \$97.4 million, which yielded a net income of the corporation of the corporati advanced proprietary computer soft \$4.2 million — \$0.91 per share. Hoffen

historically relied on government programmes and private philanthropy to
stay out of trouble. But over the past
five years, this precarious mode of
existence has been increasingly difficult
to maintain. The growing rate of
hospital closings"—now approaching
two a week—"has dramatised the fact
that more than half of all community
health facilities are in danger of Hoffenberg says that shoestring economics is nothing new to most healthcare providers. "The typical hospital has never earned enough on patient care to cover costs, and has

Insolvency."

Towers' Receivables Funding Programme brings two important factors into this dismal situation: money to bridge the time delays brought on b

akes its staff available to its clients for busultations on financial management controls, underwriting of bonds and debentures, assistance in selling or debentures, assistance in selling or restructuring ownership, creditworthiment of any disputed claims, as well as training and support for the internal claims management staff of the turing of group insurance and benefit ness improvement programmes, strucexpertise and reputation to recover the funds due to the healthcare provider. This includes investigation and settlereceivables and providing the initial stage funds. Towers uses its experience, tims management staff of the wider. In addition to the specific gramme-related benefits, Towers After purchasing a hospital's and d

Third party restrictions One of the strictures on buying of

(Une elderly and disabled) and Medicaid The Congressional mandate against government agencies paying anyone but the provider. The Social Security Act of C1966, which established Medicare (for that federal laws and courts have not prohibited providers from assigning receivables from these agencies to assignment of these accounts to third parties. Richard Barbuto, vice president and general counsel of Towers' notes enders as collateral. (for the poor), expressly forbade health provider's receivables has been

Document 350-1

101 While various courts have ruled on issue of whether an assignce of hether an assignce of hether an assignce of proceed against the government directly, government manuals say that of the Medicare Carriers Manual and section 3488.2 of the Medicare Intermediary Manual says: "The law does a provider's cheque can be deposited to an account which also can be drawn on by a lender. Specifically, section 3060.7 is an enforceable right to the provider's reached the hands of the provider. security interest in non-possessory, ie it . Medicare payments after they have preclude a lender from having a

> claims sustain in the courts. remove payments from these two-door accounts before Towers does. Passing administrators can sometimes cause them to twitch. But Barbuto says his payments within reach of beleaguered vigilance that needs providers do not fowers because it demands considerable This provision makes life exciting at

whether a slow paying state has created an opportunity or a crisis. Medicaid is managed by states; and Towers has to make careful calls as to States The risk-reward factor also goes into facilities of municipalities and s that are in difficulty. Although Bear when Towers funds healthby the federal government,



Growing importance of scheme resource that is as important Looking over the healthcare horizon, offenberg says he is building a

duced an increase in overdue receivables, and it has made collections even downgraded and access to credit cur-tailed." The recession has also proescalated as corporate and private charitable contributions have shrunk, and the credit crunch has limited more difficult providers as autoclaves and tanked oxygen. "Funding problems have institutions have seen their credit ratings borrowing. A significant number of Hoffenberg says

Qualified institutions receive same day we can put money claims transfer to some insurers. "Time is money," Hoffenberg says simply, puters are directly hooked onto many of its healthcare facilities on a real time factoring." "and the laster we go on line, the faster interactive basis, and does electronic To take up the slack, Towers' comin their hands.

immediacy is attested to by another authority in their field. Joseph Privitera, associate administrator and The importance of intimacy and

> money tied up IS YOUR

showroom? *2* ≥. The APAK

is day sensitive cost-effective and offers **FINANCE SYSTEM**

flexible scheme profiling unit plan management

provides day to day control, management and accounting for dealer funding of mer-chandise. Features include interest free periods, stock ocatio, base rate lanked interest charges, and a comprehensive suite of management reports APAK Wholesale Finance System

The APAK Wholesale Finance computer system is available as a bureau facility or for in-house use Optional modules for the system and bespoke development ensure that the system is tailoted to meet specific equirements at reasonable cost.

For further information please contact Juliei Affen:



APAK HOUSE BADMINTON COURT

patient receivables," according 20 per cent of the hospital's revenue. On the other hand, the majority of the healthcare administrator's time and resources generally is focused on the was a sort of Pareto's Law in reverse: 80 per cent of the patient accounting constant. handling accounts that generated only department's time and effort was spent "Before outsourcing, the situation

Even accounts receivables of mental patients, rigorously protected by privacy laws in most states, can be

A three-day training course from the Euromoney Asset Finance & Leasing Division sponsored by

0915 Lecture One TAX TRADING MEASSET FINANCE By Cohn Sach, Partner, New Boston Partners, London, UK

LEASING DIGEST FINANCE ASSET WHOLESALE

during the past year. However, the patients. He reports the volume of out-patients increased 25 per cent while the outsourcing the billing and collection of more out-patient services and charges patient revenue remained relatively adapt traditional procedures County, New York State, says that number of in-patients decreased slightly these patients is far easier than trying to hospitals continue the trend ō toward



submission to eliminate errors and facilitate faster payment. As a result of system involves review of each claim as an outsource, its claims management

berg says that case codes and the Diagnosis-Related Groups (DRGs) which have specific claim payments, not patients' names and diagnoses, are the know the name of the patient. Hoffen

eceivable filing and reimbursement

clients present their bills to insurers in key to providing factoring.

Intimacy also helps Towers help its



danger of insolvency

providing appropriate in-house controls for billing, collection and accounts

better form. In situations where it acts care providers can operate more effi-ciently and effectively when it has a predictable cash flow," Hoffenberg of the bare spots in income patterns. Any business, and that includes healthable financing system is the elimination Towers assures prospects it is able to reduce the payment cycle and raise reimbursement levels. "One of the biggest benefits of

claims means more receivables and more collectibles. We have the eapability to handle as many as 50 million accounts worth 56 billion, and I'm doing everything I can to gear up for the healthcare millenium." covered? "It doesn't change our role if
we use the Canadian model, it essential
by means extending Medicare and
Medicard coverage, not the nature of
healtpeare providers — and more
claims means more receivables and hue and cry for socialised medicine—
or at least some of its aspects—to get
healthcare off the backs of employers
and extend it to millions not now How does Hoffenberg feel about the

Forte Crest St James's Hotel London, UK July 8-10, 1992

For further details please contact: Caroline Carter in London on +44 71 779 8793 Fax: +44 71 779 8795

09.00 Lecture Five THE IMPORTANCE OF TAX NEUTRALITY By Siephen Hoyle and David Taylor, Partners, Freshfields, London, UK 15,30 Lecture Four CROSSBORDER FWANCING STRUCTURES By Siaphen Hoyle, Parener and Murray Clayson, Freshfelds, London, UK 12 00 OPEN FORUM By Cokn Sach and Stephen Hubble 11.00 Lecture Six VALUE ADDED TAX AND WITHHOLDING TAXES By Michael Conton and Murray Clayson, Freshheids, London, UK 17.30 Group Case Study: Introduction 14.00 Lecture Three SOURCES OF TAX LEVERAGE By Simon Hall, Partner, Freshikelds, London, UK 1.100 Lecture Two TAX ARISKS: THE BANKER'S PERSPECTIVE By Signan E. Hubbi, Head of European Structured Finance, Panbas Capital Mainers Group, London, UK

99.00 Lecture Nine
DOCUMENTING THE TRANSACTION
By Manuel Smorton, Patrier, Simpson Thacher & Barten, New York, USA and
David Taylor, Patrier, Freshiedts, London, UK 16:00 Lecture Eight FDCUS ON US FBCs By Michael Simonson, Parlner, Simpson Thacher & Bartlett, New York, USA .00 Lacture Ten X-BASED CABH-FLOWS -Chris Richards, Director, Morgan Grenfell International, London, UK

) 20. Lecture Seven ROSSEBORDER I.E.ESPAG TRANSACTIONS INVOLVING US PARTIES VACUEM Smonton, Partier, Serpson Thacher & Barbet, New York, USA

An assessment of the group case study results. New York, USA Auchael Smonton, Sington Thachar & Bustlett, New York, USA Sighten Hoya, Frestheids, Lendon, UK Coln Sach, Faither, New Boston Pethiers, London, UK

15,30

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OWERS

(Servicer)

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

DECEMBER 18, 1991

BACKED BY HEALTHCARE RECEIVABLES TOWERS HEALTHCARE RECEIVABLES FUNDING CORPORATION - IV TOWERS FINANCIAL CORPORATION INTEREST RATE - THREE YEAR 7.45% 1991B BONDS - RATED AA THREE AND FIVE YEAR (Issuer) **FIVE YEAR 8.25%**

BACKED BY HEALTHCARE RECEIVABLES

INTEREST RATE - 9.15%

(Issuer)

TOWERS HEALTHCARE RECEIVABLES THREE-YEAR 1991 BONDS - RATED AA

FUNDING CORPORATION - III

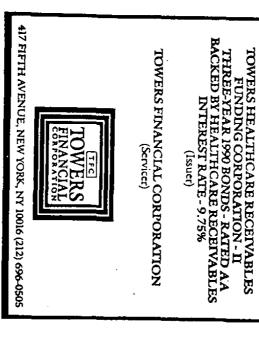
\$40,500,000

TOWERS FINANCIAL CORPORATION OWERS (Servicer)

417 FIFTH AVENUE, NEW YORK, NY 10016 (212) 696-0505

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MAY 23, 1991



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THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY November 27, 1990

\$56,500,000

TOWERS HEALTHCARE RECEIVABLES FUNDING CORPORATION TWO-YEAR 1990 BONDS - RATED AA BACKED BY HEALTHCARE RECEIVABLES INTEREST RATE - 10.20%

July 19, 1990

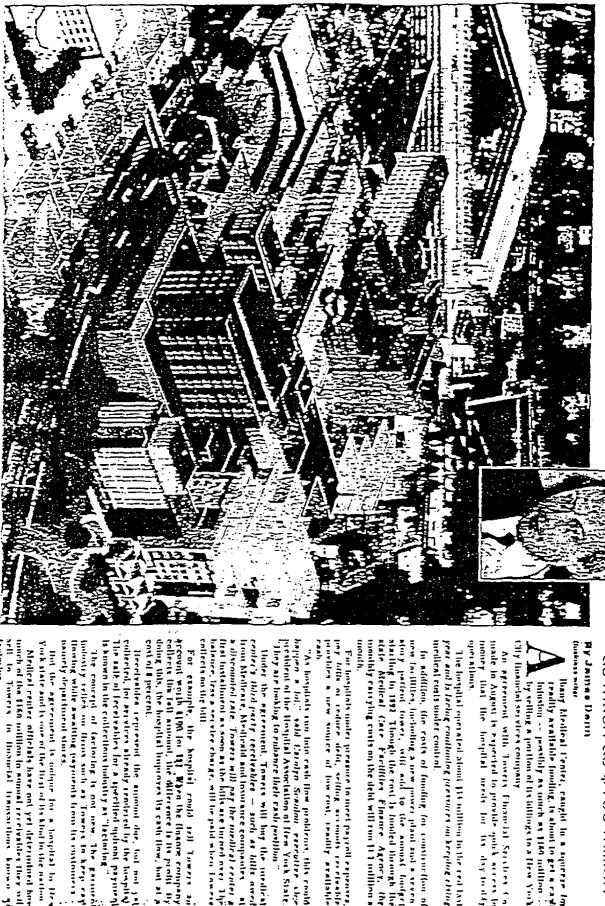
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TOWERS FINANCIAL CORPORATION (Servicer) (Issuer)

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

Page

Squeezed for cash, Albany Med sells its billin



ocument 350-1 305 of 344

ed \$1 2 million by 1992, Is hostind besides Hamas Edzpahick, the nuclical earlies certail hourstal official. VIII1811.8 VIEW They Albury Dadical Center will had after mey construction, reported to add monthly costs

Hospital in the red may not as much as \$160 million

(inskings weige My Jamas Dam

City throughout services company by selling a portion of its billings to a first York Itany bicdical Center, caught in a squeeze ter readily available funding is about to get a cast Industria -- pessibly as much as 1189 udillop .

money that the hespital needs but its day to day made in August is expected to provide quick access to An egreenest with Invers Chanelal Services Co

medical resis under control. year and is lacing continuing pressures in keeping civing The hospital operated about 114 million to the red fast

monthly carrying costs on the delit will run [1] million a new incilities, including a new power plant and a seven state Medical Case Facilities Finance Agency, startling in 1992. Though the cost is lunded through blury patient invers, will and to the annual indiget In addition, the costs of funding for construction of

provides a new somice of low-root, readily available pay little or reduce debt, selling accounts receivable For haspitals under pressure to meet papeall expenses,

"As hospitals can late each flow problems, this could happen a lot," said Cambre Scanlon, executive since president of the Hospital Association of Hem York State. they are limbing to rishance their east profitms "

collects on the bill. a discomicid rate. Towers will pay the medical center from Medicare, Nedicald and Insurance companies conter's third party receivables — such as titlls owed halance, less a seculee charge, will be paid when Inwere litel fastallment as soon as the bills are luthed need need. The finder the egreement, Towers will buy the incident =

For example, the hospital rould sell immere an account worth 1190 for 117 When the finance company collects the fell amount, the difference is its profit tip doing this, the hospital improves its cash flow, but at cost of a percent.

The sale of fecetvables for a specified uplant payment is known in the culteritors industry as "factoring" collected, los are viers already rendered by the hospital Beerlyalden represent the amount due, but not yet

York state and is one of the High of its kind in the nation manuely depositioned almes. finishing while awalting payments from its entineers industry telles on floor such as Towers in keep eagli The courseld of factoring is not new The garment Hut the agreement is unique for a hospital in Hes

months ago. It has been concling the medical center the last six months dactor lug. arli in Tuerra in Inducial Impagrituus bacen Towers launched its hospital fortoring versice

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HOSPITA

Cononued from F-1

Li bospitals are faced with bottom-line problems and liquidity problems," said Thomas Fitzpatrick the hospital's chief financial officer.

But Fitzpatrick, along with several other financial experts in the health care industry, cautioned that a sell-off of billings in exchange for quick cash is not a panacea.

Filed 06/22

Document 350-1

They warned that such transactions may be only quick fixes and that there is a danger of delaying long-term solutions to long-term financial problems.

For instance Fittpatrick pointed out, a major reason for entering into the Towers agreement is that the medical center does not have the cash to update its own antiquated and overloaded billing system.

"I would have rather fixed our own systems," he acknowledged. "In the long haul, that would have been

."We need capital to put in a modern, state-of-the-art billing system and we are unable to generate the capital to replace the old billing systems," he said

The cost of a new billing system would be about \$2 million. "In lieu of that," he said, "we look to Towers to . offload some of our billing systems."

He declined to specify what Towers' fee would be, but said it was a combination of an interest charge and a service fee.

Some health care finance experts also warn that the medical center may be paying too high a price for an increased cash flow.

There might be a better alterna-· tive to improving cash flow, such as a line of credit," said Dan Rode, director of technical services for the Healthcare Financial Management Association - a 28,000-member pro-. fessional association based in Westchester. 💵

The hospital's unsecured lines of credit with Key Bank of Eastern New York and Norstar Bank of Upstate NY total \$10 million. Fitzpatrick said the hospital reached its credit limit a year ago.

He agreed that transactions with Towers are short-term fixes of longterm problems.

Towers officials did not respond to several phone calls.

"Any organization has to be very careful about a receivables-lunding program." said Fimpatrick. "It's tough to wean yourself off of it."

But the medical center's cash-flow problems are among a growing industry phenomenou experts say. and by selling the receivables the hospital is at least heading in the right direction.

These types of programs are metal to hospitals, said Robert Wool director of program development for the Greater New York Hospital Association which represents New York City bospitals.

Hospitals in New York state are

in a tough financial strait." he said. "Hospitals are in a tough cash position. The big reason hospitals go into this is cash flow. Payors taking too long of a time to pay. This way, it cleans up the hospital's books.

Fitzpatrick said the hospital would not do this transaction if it was merely a financial transaction. But it has an operations effect.

While the hospital's annual receivables total \$160 million. Fltmatrick said. "only a portion" of that amount is in the receivables account at any one time. On a monthly average, the hospital has about \$13.3 million inreceivables.

In 1989, the hospital collected \$15.9 million from Medicare. \$20.7 million from Blue Cross and \$13 million from Medicaid.

As a group. New York hospitals last year lost about \$78.4 million on revenues of \$15 billion.

Alberry Medical Center had forai revenues of \$203.06 million last year and expenses of \$156.56 million. The hospital employs more than 4,000 people.

By selling their receivables, hospitals can gain flexibility in managing debt. analysts say.

"Accelerating cash flow has become necessary for hospitals hardest hit by changes in Medicare's periòdic interim payment program." Spiegel vice president of Premier Hospital Alliance of Westchester. Ili. wrote in a recent issue of Healthcare Financial Management. a trade magazine. Premier pioneered the restructuring of accounts receivable in the hospital industry.

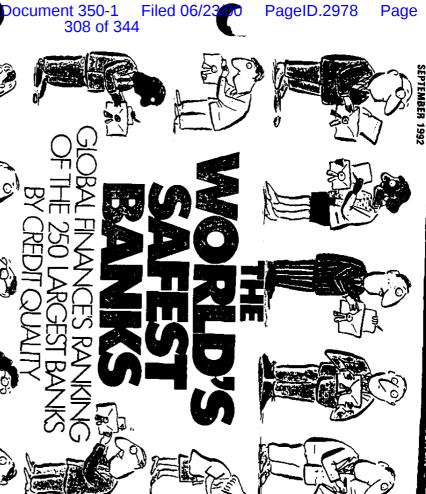
Because many hospitals are in a financial bind Rode of the Healthcare Financial Management Association, said many are discounting their receivables by as much as 20

Companies like Towers will do well in the hospital industry, he said. especially for collecting bills from Medicare.

"The beauty of Medicare receivables is you know what you will get." he said. You can sell Medicare at a better discount than for Medicaid. The steadier the stream of money coming from a third party the better able you are to judge the discount."

Vicki Zeldin, spokeswoman for the state Health Department, said, "Five years ago operations such as Towers Financial were unheard of. It's a fairly new concept."

The health department does not have a position about the use of factoring. "We don't regulate how they collect their money." Zeidin said.



Filed 06/2

terprises targeted for the public. trolling interests in concerns to ernment-held equity in Russian endistribution of the remaining govmanagers and workers, with the Unce company privatization

ers. All private citizens will receive through auctions or stock vouch-60% and 49%, respectively, will be pany. Under both options, the ing shares at a price equal to 1.7 to buy 51% of the total common vottion allows workers and managers pany equity and nonvoting preof voting shares totaling 20% of comto 25% of the face value of their comtwo options for becoming shareplans are in place, workers and Nock companies changed for shares in the new joint vouchers, which can then be exdisseminated to the public at large limes the book value of the comlerred totaling 40%. The second opstate, through the GKL will consist ing them a total equity stake of 40% owny and 15% of common stock, give buy shares of preferred stock equal holders. The first allows them to management can choose between blocks remaining in state hands. The remaining interest held by the

finance their acquisition)," says

vestment funds in Russia. As the spread public ownership" of private companies, says Ravitch. He envifor the establishment of pooled insions that the voucher program will llimately provide the springboard The idea is to create wide-

charge, company managers and distributed to citizens free of workers will have to pay for much Aithough the vouchers will be the vouchers and invest in the re-

tender, or auction, process.

witing shares on behalf of private nanage these hands could collect privatization process unfolds, he

says, the institutions that would

else) can be used to acquire 15% of the company, leaving 35% that will have to be financed. "This will be okay for the smaller compunies, but the larger ones will be forced to of their equity stakes, regardless of which ownership option they viding for a 51% ownership stake, vouchers (which managers and to book value. Under option 2, prothe easiest to finance. Some shares will be distributed for free, but the choose. Option 1, giving this group look to newly formed private funds or to Russian commercial banks [to bulk of the equity will be sold to a 40% ownership position, will be workers will receive like every managers and workers at a discount

Crowley of Goldman Sachs. rowed funds used as collateral the shares they buy with those bortions could provide loans to comprivatizations could evolve in sevpany workers and managers, with eral forms. Banks or other institu-Foreign participation in Russian

themselves, says Crowley. RJR Nabisco's recent announcement of its \$20 million investment in a \$1 Petersburg cigarette company—already private—is a sign of things to come. Foreign involvement might also take the form of purchases of substantial blocks of shares at the time of privatization through the Foreigners, particularly those who already have relationships with Russian companies, might step up to make more direct investments

plains. "Accounting based on these and in what quantities," Crowley exand told companies what to produce the state assigned prices to goods first evolve. Before January 1, Russia had "a budget economy in which But accounting procedures must

> As a result, it's hard to look cur-rently at a financial statement of that time and relate it to reality —By Katherine Wells

historical costs had no real value."

United States

COMPANIES
REDISCOVER
SECURITIZATION **HEALTH CARE**

health care receivables offering in the emergence of the first public is out, and some bankers predict will be completed before the year in various stages of structuring that sion into the health care receivables ceivables, is poised for an expanseven private debt deals currently sector. After languishing in recent igain on the rise. There are at least /ears, activity in this area is once standings, and corporate trade reages mortgages, automo-bile loans, credit card outket, which already pack he US asset-backed mar

ceivables of US health care comto sell securities backed by the re-Worldwide Investments is looking interest brewing in this securitized up for the firm by Citicorp Securiparties through a vehicle being set product as well. London's Granada about six months' time. And there is new international

receivables has in fact long been viewed as an emerging growth area for the asset-backed market because it offers an attractive funding The securitization of health care ties Markets

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privatization might be direct investment. Another could be purchases of blocks of shares at auction.

One form of foreign participation in Russian

\$ 15 E

Corporate Financing

stretched out collection periods restrictive reimbursement schedcosts have sharply increased outup for all but the soundest health alternative for health care compa-nies, which often find capital diffiunded health plans in 1987 have iles implemented by governmentstanding accounts receivable; and care concerns. Soaring health care working capital has virtually dried shied away from lending to them. cult to come by. As banks have

ceivables from various parties. multiseller conduits that pooled reown programs or participated in as Healthcare International and Universal Health Services set up their their receivables. they can net more in proceeds from deal for these providers because ue. Securitization offers a better at deep discounts to their face valtypically purchase these receivables ing on their receivables. But factors toring companies for advance fund-1980s, a number of institutions such hospitals have often turned to fac-Health care receivables typical-And in the late

chased to replace them. pay off, new receivables are purdiscount to their full value to create ly have 30-day average lives and ties. As the receivables in the trust a yield component on the securireceivables into a trust at a slight bear no interest. Institutions sell the Following the seminal efforts,

ceivables deals are harder to come on higher-profile consumer asset deals. Health care receivables deals Asset finance professionals focused ation. But now, as consumer resuming to merit serious considerhealth care receivables languished however, the idea of securitizing were too complicated and time-con-

tainable through other sources.

monitored more efficiently. terest in the health care business Among other developments, bank For the most part, the factoring

ket participants es-timate that there are about \$500 bilmarket, \$200 miled States, has sebeen rated. Marlion of which has vate placement portfalia in the pri-\$650 million of its curitized about ables in the Unithealth care receivlargest servicer Towers, by far the factor of

lion of securitiz-able health care receivables. So far, though,

NOT EASY

provides lower rates than those atstand-alone private placement transactions. The conduit allows equity ratios and boost their providers to reduce their debt-toonly about \$1.3 billion of health care the stand-alone private placement into either multiseller conduits or straight borrowing potential, and receivables have been packaged Steven Mattenberg of Fewers Financial says sacuritization of health core receivables has not yet taken off hecause servicing the claims is

uidity support from banks is beum-term securities market, Liq. ing health care deals in the medi-Noteworthy among recent developments is the trend toward self-

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ers say, improved methods of pro-cessing data and an influx of start-up servicing operations will facilitale securitization to the extent these assets can be collected and

companies themselves-in particploring securitization. Since 1986, nancial—have taken the lead in exular, New York-based Towers Fi-

To alleviate the cash crunch,

ganization, plans to complement its \$40 million commercial paper pro-Healthcare, a Pasadena-based oralso via BZW. term deal in the next few months. gram with a yet unsized private

a small commercial paper program collateral. This financing replaced to use health care receivables as and was the first triple-A-rated deal from a consortium of 21 hospitals was backed by receivables pooled mier Financial Services. The deal three-year notes for National Prerities placed a \$40 million issue of In late August, Prudential Secuborrowing costs further out the matorically low, issuers can fix their tion, now that fixed rates are histy support, less workable. In addi programs, which need that liquidi ing securitized commercial paper coming a scarce commodity, mak-

lion in size. For instance, Barclays in the works are mostly \$40-50 milmarket as well as those currently been placed already in the term lunty spectrur The handful of deals that have

set up in 1989 per program it company month. to close Health term deal for vately placed \$50 million pristructured a because banks commercial pa wound down a Universal expected this that

pate. Similarly Paracelsus

de Zoete Wedd

ed to partici-

structured and marketed by Mer. | clients, according to Gregory Camp

coming increasingly popular. group of distinct hospitals are begrams that pool receivables from a dential Securities. He adds that bety to issue triple A securities," says ables not only provide hospitals the health care market, conduit procause of the fragmented nature of ital markets but also with the abiliwith an opportunity to tap the capunasir Sen, vice president at Pru-Lynch in 1990. "Securitized health care receiv-

ing flexibility. its kind to use master trust tech-Due to close later this year, the pronology, which offers greater issugram will be about \$100 million in trust financed in the term market. panies and then sell them into a ceivables from US health care comconduit for Granada. It will buy reed a mandate to create a mulbseller corp Securities was recently awardsize and will be the first conduit of On the international front, Citi-

mercial paper program. The com-Among other new entrants in the field is AdvaCare, which went public early this year. The compacorporation is financed with an inipany is also examining the idea of expand into issuing securitized chases. Eventually, AdvaCare will of the value of the receivables it purby Prudential AdvaCare's funding tial \$40 million secured note held surance of America. The funding ing corporation with Prudential Inthe company set up a separate fundcert with its initial public offering, for hospitals and physicians. In conny, based in Horsham. Pennsylvaarm can other advances of up to 72% and reunbursement management nia, provides accounts receivable

bell, chairman and CEO.

Medicare also have the right of off-set. If Medicare determines that monies are due but unpaid from the for instance, are different from pri-vate insurance receivables. Medi-bursement schedules. However in the current year, which could at hospital, it can withhold payments government-funded plans such as work with because of strict reimcare receipts tend to be simpler to mogeneous. Medicare receivables, parently huge, a few obstacles

from the government would have to pass through the provider to the trust which adds an element of risk say's Ronald Joelson, managing director of structured finance at Prurector of structured finance at Pruantiassignment provision applying to Medicare and Medicaid contracts under a 1972 amendment to the Social Security Act. This rule, designed to curb abuses involving inflated claims, prohibits parties othdential insurance. "The problem is not the government, but what if the icaid-related services. Payments themselves from receiving reim-bursement for Medicare and Meder than the health care providers fect a prospective securitization. points over treasuries. spreads typically north of 200 basis things, "is why you are seeing yield risk of bankruptcy, among other hospital goes under?" he says. The Another consideration is the

lection, and servicing operations. counts receivable monitoring, colsuch as COS Technologies and has given rise to several companies The need for accurate servicing

health care receivables are not homogeneous Unlike credit card or auto loan receivables, That's been an obstacle to securitization. tions, which buy accounts receiv Indeed, the new generation of health care securitizations could in volve these new servicing opera-

tions, she says. polls in which the servicer is also buying the receivables will help & Wood. Deals done through blind unify the credit of these transac

systematization to the claims pro-

The attempts to bring greater

able from hospitals as well.

cessing provider will help more of

these deals get done," notes Cathy

Kaplan, partner at law firm Brown

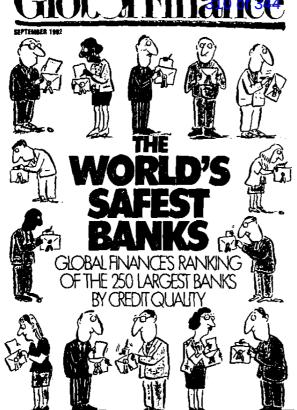
says Steven Hollenberg, CEO and founder of Towers Financial, which has been in this business for 20 years. "Everyone thinks it's easy, but it is not like opening a McDonald's. The reason this product has not taken off yet is because of the or you can lose all your money." be an expert in servicing the claims this particular product, you have to But servicing is a tough job. "In

yond the few specialists, he says, "there has to be an evolution of stan-dardized billing practices and a recomplexity of the servicing." pair of the claims processing sys-For this business to grow be-

on Electronic Data Interchange. The group, spearheaded by the tive sponsored by the Work Group tems, which are in total disarray." standards could become the norm president at Citicorp Securities n a few years because of an initia-Markets, uniform data processing ravelers insurance and the Blue in fact, says Larry Rufrano, vice

lion paper claims with electronic data. This blueprint, if adopted, in Chicago, proposed last July re-placing the processing of five bil-Cross and Blue Shield Association

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One form of foreign participation in Russian privatization might be direct investment. Another could be purchases of blocks of shares at auction.

United States

HEALTH CARE COMPANIES REDISCOVER SECURITIZATION

With bank lending drying up, securitizing receivables should provide an alternative source of working capital for health care companies.



Unlike credit card or auto loan receivables, health care receivables are not homogeneous. That's been an obstacle to securitization.

Title of each class to be so registered

Not applicable

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SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

GENERAL FORM FOR REGISTRATION OF SECURITIES Form 10

Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

TOWERS FINANCIAL CORPORATION (Exect name of registrant as specified in its charter)

(State or other jurisdiction of incorporation or organization)

417 Fifth Avenue, New York, NY (Address of principal executive offices)

13-3440065 (I.R.S. Employer Identification No.)

Registrant's telephone number, including area code: (212) 696-0505 (zip code) 10016

Securities to be registered pursuant to Section 12(b) of the

Name of each exchange on which each class is to be registered

Not applicable

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.001 per share (Title of Class)

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> Item 1. Business

(commonly know as factoring) and the collection of accounts receivable on a contractual basis for the account of others. In addition, the Company purchases portfolios of receivables on a bid or negotiated basis and collects such receivables for its own account. The Company is one of the larger firms in the United States providing commercial accounts receivable collection services and during the past 12 months has been a leader in purchasing and servicing healthcare receivables. Towers Financial Corporation (the "Company"), directly and through its subsidiaries and their predecessors, has, over the past 15 years, provided account receivable financing and management services for over 10,000 corporate and recovery of accounts receivable for the Company's own account healthcare clients. Such services include the purchase and

collecting commercial accounts receivable on behalf of others since 1980 and, as successor to Transcon Adjustment Group, Ltd., since 1975. Towers Financial Corporation was incorporated as a Newada corporation in 1983 under the name 0.G. Consulting Corp. It changed its name to Towers Financial Corporation in 1986 in connection with its controlled by the Chairman of the Company. See Item 7 "Certain Relationships and Related Transactions." Prior to the acquisition of these entitites by the Company, TCC had been engaged in the business of factoring commercial accounts The Company conducts its business directly and through two of its consolidated subsidiaries, Towers Credit Corporation ("TCC") and Towers Collection Service, Inc. receivable since 1982 and TCS had been in the business of from Professional Business Brokers, Inc., a company These entities were acquired by the Company in 1986

under the laws of the State of Delsware. The name of the subsidiary was Towers Financial Corporation, and the effect of the merger was to change the Company's state of incorporation from Nevada to Delaware in order to take acquisition of TCC and TCS. Immediately prior to its change of name and its acquisition of TCC and TCS, O.G. Consulting Corp. was not actively engaged in business. O.G. Consulting Corp. was, however, a publicly traded corporation, and the acquisition of TCC and TCS by O.G. Consulting Corp. indirectly resulted in the equity interests in TCC and TCS. On February 21, 1991, Towers Financial Corporation merged into a previously inactive subsidiary incorporated under the laws of the State of Delaware. The name of the corporate parent's common stock. becoming publicly traded through the public trading of their

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advantage of the increased certainty associated with the more developed state of Delaware corporate law.

The following is a brief description of the material aspects of the Company's factoring, collection and portfolio acquisition businesses which constitute all the material businesses in which the Company is engaged.

Factoring and materials acquisition

Factoring and Portfolio Acquisitions

Through its factoring activities, the Company purchases accounts receivable from its clients at a discount and then attempts to collect the full face value of such receivables. The Company manages the risk of noncollectability of the receivables differently depending on whether such receivables are healthcare related or arise from other commercial transactions, as discussed below.

The profitability of this business is dependent on, among other things, how quickly the receivables are collected by the Company and the purchase price of the accounts. The Company utilizes an experienced staff of full- and part-time collection professionals (approximately 4% are employed on a part-time basis), including trained insurance analysts, insurance claims experts, collectors, paralegals, claims examiners, claims billers, claims supervisors and attorneys. The Company's staff of collection professionals is employed directly by TFC Management Inc., a wholly owned subsidiary of Professional Business Brokers, Inc., and is employed by the Company on a subcontracted basis. See "Personnel" below and Item 7, "Certain Relationships and Related Transactions." In addition, the Company's staff of computer programmers has specially designed computer software programs to support the Company's collection and factoring activities.

Healthcare Receivables. The Company believes that one of its primary opportunities for future growth is in providing account receivable claims management and factoring/financing services to the healthcare industry. This belief is supported by the financial pressures being exerted on healthcare providers as a result of changes in government programs and insurance company practices and the resulting need for working capital. Further, the Company believes that there is an opportunity to develop and retain a significant share of the market for account receivable management services in the healthcare industry.

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The Company has targeted the service-sensitive segment of the healthcare account receivable market. The Company offers potential clients not only the funding of their

accounts receivable through their purchase by the Company at a discount price, but also offers the following additional services among others to the healthcare providers:

- upgrades of the healthcare providers' computer hardware and software systems to accomodate the Company's software for billing and administering healthcare receivables at no cost to the healthcare providers,
- an analysis of the healthcare providers' existing systems of admitting patients for treatment and recommendations for improvement,

a review and correction of any defects in

- preparation or processing of standard insurance and Medicare and Medicaid forms, stationing of the Company's expert claims analysts
- stationing of the Company's expert claims analysts in the business office to supervise and manage the healthcare providers' claims reimbursement system,
- advice to healthcare providers by the Company's in-house insurance regulatory experts on elimination of insurance payment delays,
- installation of a collection recall system that will trace reimbursements for any and all third-party obligors on the healthcare receivables and

-- assistance to the healthcare provider in the rehabilitation of claims to cure defects causing initial rejection by the third-party obligor.

By providing the foregoing services in addition to the purchase of healthcare receivables, the Company seeks to distinguish itself from other current and potential competitors for the factoring of healthcare receivables.

The Company typically purchases eligible healthcare receivables for 95% of their reimbursable value (the "Reimbursable value"). The Reimbursable value of a healthcare receivable is the amount due to the healthcare provider from third-party obligors. The third-party obligors are those insurance companies and government programs (such as Medicare and Medicaid) which are contractually obligated to pay all or a portion of a healthcare receivable. The "Reimburgable Value" of a particular healthcare receivable does not include the portion of the receivable which is the patient's sole obligation.

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the basis of the applicable flat fee reimbursement schedule established for the relevant Diagnostic Related Group ("DRG"). The final Reimbursable Value, which establishes the exact purchase price, is, in most cases, determined by the amount which is actually paid by the third-party obligor except in those cases in which the third-party obligor fails to pay because of a financial inability to pay. If the Reimbursable Value of an account initially estimated at the time such account is purchased turns out to be either more or less than the actual Reimbursable Value, the purchase price estimated Reimbursable Value, upon the purchase of the healthcare receivable. The remainder of the purchase price is paid to the provider promptly upon Towers' recovery of the Reimbursable Value, subject to the terms of the agreement between the Company and the healthcare provider. The initial estimate of the Reimbursable Value is typically based upon the standard reimbursement rates for the type of injury or sickness and the region of the country involved. In the case of Medicare or Medicaid receivables, it is typically made on Medicare or Medicaid receivables, it is typically made on Medicare or Medicaid receivables, it is typically made on Medicare or Medicaid receivables, it is typically made on Medicare or Medicaid receivables, it is typically made on the country involved. adjusted accordingly.

Typically, the Company will advance to the healthcare provider 50% of each healthcare receivable's initially

representation or warranty is the financial inability of the third-party insurer or governmental program to pay the amounts owing on the receivable. The risk of nonpayment in such event is assumed by the Company as the purchaser of the receivables. The Company perfects a security interest in the healthcare receivables or in the seller's right to receive payment thereon to safeguard the Company's rights in the event of a bankruptcy of a healthcare provider. See Exhibit C to the Indentures included as Exhibits 4(b) and 4(b) to this Registration Statement for the Company's typical form of a purchase agreement relating to healthcare written purchase agreement contains representations and warranties regarding the healthcare receivables, including representation that the healthcare receivables are due and payable by third-party insurers or governmental programs. The primary risk of nonpayment which is not covered by a Healthcare receivables are purchased by Towers pursuant to a written agreement with the healthcare provider. The

healthcare provider to replace the receivable with other receivables having an equal Reimbursable Value, or to offset the portion of the purchase price advanced by the Company, and the fee due to the Company, against other payments that In the event that a healthcare receivable is not paid for a reason that involves a breach of the seller's representations and warranties regarding the healthcare receivable, the Company has the right to require the

> may be due to the healthcare provider as a result of other healthcare receivables purchased by the Company. This protection is particularly significant in the context of Medicare and Medicaid receivables since government regulations require that such healthcare receivables be paid solely to the healthcare provider.

In order to protect itself from the financial inability of a third-party oblique to pay, the Company will generally require that the third-party obliques which are insurance companies have a rating by a nationally recognized rating agency of "A" or better. The following is a representative list of some of the insurance companies that are obligated to make payments directly to the Company pursuant to healthcare receivables purchased by the Company from healthcare

General American Insurance Blue Cross/Blue Shield

Connecticut General Life Mutual of Omaha Travelers Insurance Company Prudential Insurance Company State Farm Insurance Company Aetna Insurance Company

Best Benefits

Allstate Insurance Co

Equitable Insurance Company Liberty Mutual Insurance Co rst Fund Insurance Co. Insurance Co.

> National Association of New York Life Insurance Pacific Mutual Insurance Co. Metropolitan Life Insurance Co. Letter Carriers

John Hancock Insurance Co. Firemans Fund Insurance Co. Continental Life Combined Insurance of America cigna Chubb Pacific Group Insurance Co.

unions, workers' compensation reimbursers and other thirdparty reimbursers. The Company also purchases healthcare receivables due from Medicare, the various state Medicald programs, major

companies who, due to their need for working capital, cannot afford to wait for their receivables to be collected. Through the sale of their receivables to the Company, such companies are able to generate the working capital they need either on a temporary, seasonal or ongoing basis. The Company believes that its flexibility in addressing the particular needs of its clients in terms of timing and volume of purchases and the broader spectrum of potential clients it is willing to accept distinguish it from many of its Commercial Receivables. The Company markets its commercial accounts receivables factoring business to

Commercial accounts receivable are typically purchased by the Company at discounts ranging from 5% to 10% from their face value. An initial payment of up to 75% of the face value of the purchased accounts is usually made to the seller at the time the accounts receivable are purchased. The remainder of the purchase price is paid to the seller promptly after the accounts receivable are recovered. If less than the face value of a purchased account is recovered for reasons that involve a breach of the seller's representations and warranties, the p and warranties, the purchase price is reduced

Portfolio Acquisition and Collection. During the fiscal year ended June 30, 1990, the Company began actively pursuing opportunities to purchase loan portfolios generated by financial institutions currently in financial difficulties. A large number of such loan portfolios are held by the Federal Deposit Insurance Corporation in its role as a receiver or liquidator of failed banks and savings and loan institutions. Each loan portfolio has a different composition and different characteristics. The composition warranties, the Company will have certain rights against the seller. The primary risk of nonpayment which is not covered by a representation or warranty is the financial inability of the debtor to pay the amounts owing on the receivable. The risk of nonpayment in such event is assumed by the Company. The Company also perfects a security interest in the receivables. See Exhibit 28(a) to this Registration statement for the Company. Statement for the Company's typical form of a commercial accounts receivable purchase agreement.

warranties regarding the receivables including a representation that the accounts receivable are valid and not in dispute, and usually provides that in the event of nonpayment of a receivable by the debtor for a reason that involves a breach of any of the representations or Commercial accounts receivable are purchased by the Company pursuant to a written purchase agreement with the seller. The purchase agreement The purchase agreement contains representations and

purchase price upon the purchase of the loan portfolio. The purchase prices paid by the Company on portfolios acquired from the FDIC have ranged from 5% to 50% of the aggregate outstanding principal amount of the loans in such portfolios at the time of purchase. Purchases by the Company from third parties are usually structured to require the Company to make an initial down payment which is equal to a percentage of the face value of the portfolios at the time of purchase (which percentage is typically between 1% and 2%), plus a percentage (ranging from such portfolios in excess of the initial down payment. Except for limited representations and warrantles provided by the sellers of the loan portfolios, the Company acquires the loan portfolios of the loan portfolios, the Company

acquires the loan portfolios without recourse against the sellers, and, accordingly, the risk of noncollectibility is,

for the most part, assumed by the Company.

collateral may range from nominal to substantial and is often not able to be established prior to acquisition of the portfolios with the level of certainty that lenders typically promise the level of certainty that lenders typically promise the level of the level o The purchased portfolios consist, for the most part, of loans evidenced by promissory notes and secured by one of two types of collateral: personal property (e.g., automobiles, trucks, office and industrial machinery and equipment, inventories, securities, livestock, art, coins, mobile homes, healthcare equipment, airplanes and boats) and real property (e.g., personal residences, office buildings, warehouses, factories, farms and undeveloped land). The value of such require before making a loan.

prior to purchasing any specified portfolio, the Compais afforded an opportunity to inspect the available files the loans which comprise the portfolio. The Company's pre-acquisition inspection of the loan files involves a preliminary review of the lender's collection experiences, the debtor's credit history, appraisals of collateral securing the loans, and financial statements to the extent such information is available. In many cases the loan file regarding the collectibility of the various loans in the such information is available. In many cases the loan files may not be current and substantial uncertainties may exist portfolio. The purchase price of the loan portfolios will be refilective of the results of the Company's preacquisition review of the loam files. Following the acquisition of a the Company

assets, while other portfolios may consist of loans primarily secured by real estate and yet other portfolios may consist of a mixture of such loans and other types of loans. Some portfolios may contain significant numbers of past-due, nonperforming loans. The purchase price paid for such loan portfolios by the Company is determined based on the

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of a loan portfolio is generally determined by the seller based on its desire to maximize the price it receives for all loans among the various portfolios. For example, some loan portfolios may consist of a large number of small consumer loans which are unsecured or are secured by non-real estate assets.

composition of the particular portfolio, the amounts the Company believes it can collect on such portfolios and the risks associated with the collection of such amounts.

which had purchased the portfolios directly from the FDIC. Purchases by the Company from the FDIC require payment of the

various regional offices of the FDIC and from third parties The Company has purchased portfolios of loans from

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one to two years from the date of acquisition. The Company generally will negotiate extensions of the maturities of defaulted loans in connection with its attempts to bring the loans current. The Company will recognize income on these portfolios when collections are received based on the difference between the Company's purchase price, including payments contingent on the amounts collected, and the amount

tecovered on such portfolios.

loan portfolio, the Company through its in-house lawyers and other collection professionals takes an active role in foreclosing upon, and selling, the collateral associated with such portfolio or restructuring the loans in order to bring them current.

risk is dependent on a number of factors, including the Company's ability to locate the debtors, the debtors' financial condition, the possibility that a debtor may file for protection under applicable bankruptcy laws, the Company's ability to locate the collateral, if any, for the loan and to obtain possession of such collateral, the value the ultimate recovery either through collection procedures or through a resale of the loans following a restructuring that brings them current. of such collateral and the length of time it takes to realize its purchase price plus its carrying costs, collection costs and expected profit on such accounts. The extent of such the risk that it will be unable to recover an amount equal to Upon the acquisition of a portfolio, the Company assumes

The Company believes that the collection of loans purchased from the FDIC (directly or indirectly) is a logical adjunct to its existing accounts receivable management and collection business. The Company has for the past decade collected similar loans on behalf of its bank clientele, and it is anticipated that this will become a significant part of the Company's future activities based on the amount of loans available for purchase.

Collection Services

has strict guidelines to follow with respect to the collection process. The collection staff undertakes a comprehensive review of each new collection account and on the basis of such review will contact and deal with the respective debtors. The Company's proprietary computer systems allow it to track all accounts quickly for any client and to track the contacts with and payment and credit histories of the various debtors. collection services focuses on its experience as well as its practice of assigning each collection account to one of its staff of practicing attorneys who actively pursue collection with the help of paralegals, credit analysts, investigators (skip tracers) and collectors. The Company's policy is to bire contained. hire people for its collection staff who have at least five years of relevant experience. Each new member of the collection staff undergoes an in-house training program and The Company, through its subsidiary, Towers Collection Services, Inc., is involved in commercial accounts receivable collection activities. The Company's marketing of its

services are undertaken pursuant to a written agreement with the client that provides for a collection fee of 10% to 50% of the amount recovered on each receivable. The amount of the fee charged depends upon the extent of the services required, which may include litigation on behalf of the client, and the type and amount of the receivable being collected. The collected funds are paid or credited to the client when received by the Company. The collection agreement also provides that the submission of accounts for collection is irrevocable except upon full payment of the collection fee that would be due if the account were collected in full. Unlike its factoring business, the Company's collection The Company has collected accounts receivable over the

past five years for clients in the manufacturing, wholesale, distribution, retail, transportation, communications, service, finance and insurance industries.

In the fiscal years ended June 30, 1990, 1989 and 1988 TCS was engaged to recover \$291.565.160, \$182,982,043 and \$140,028.892 of accounts receivable, respectively. These amounts represent the Reimbursable Value of healthcare receivables accepted for collection plus the face amount of all other accounts receivable accepted for collection. Included in these amounts for the fiscal years ended June 30, 1989 and 1988 are \$151,335,736, \$80,787,549 and of accounts receivable and healthcare receivables

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that were purchased by the Company in its factoring and portfolio acquisition businesses and were placed with TCS for collection. In the fiscal years ended June 30, 1990, 1989 and 1988, accounts receivable management services (primarily consisting of collection, monitoring, data processing and information retrieval services) represented 48.0%, 55.7% and 56.6%, respectively, of the Company's consolidated revenues. Franchising

territories. The primary market for the Services is expected to be businesses, hospitals, healthcare providers and extenders of credit. The Company will pay the Franchisor a fee and the Franchisor will pay each Franchise an origination fee, which origination fees will vary in amount (currently anticipated to range from 0.5315% to 4.5% with respect to payments from the Company to the Franchisor and from 0.5% to 4.0% with respect to payments from the Franchisor to Franchisees) based on the fees charged by the Company to the clients who are referred to the Company by the Franchisee or who are located in the Franchisee's territory. The franchises will be sold to Franchisees for an initial franchise fee of \$50,000 payable to the Franchisor. Each Franchisee will be required to make a monthly contribution to the Franchisor's advertising fund in an amount ranging from 2% to 4% of the origination fees earned by such Franchisee. and the Franchisees, the Franchisees will be permitted to market the Services in the Franchisees' respective funding and factoring services and related services and products to be provided by the Company (the "Services") Pursuant to the franchise agreement between the Franchisor The Company has granted Towers Franchise Corporation (the "Franchisor") a license to serve as the Franchisor of businesses (the "Franchisees") engaged in marketing of accounts receivable collection, management, financing,

In the process of marketing the Services, the Franchisees will be required to utilize the systems developed by the Company and the Franchisor for marketing the Services as well as certain trademarks, trade names, service marks, copyrights and logotypes owned by the Company.

The Company currently anticipates that the Franchisees will replace the Company's regional sales offices over the next one to two years. The current managers of the Company's regional sales offices are expected to be given the right to acquire the franchises for territories currently covered by the regional sales offices prior to such franchises being

who are neither The Franchisor is owned by two employees of the Company are neither executive officers nor directors of the

Other Business

The Company is continually evaluating new business opportunities which are consistent with its core businesses. Management intends to take advantage of those opportunities that it believes are appropriate for the Company subject to the availability of financial resources and personnel.

Company's consolidated revenues in the fiscal year ended June 30, 1988. No new equipment lease financings have been entered into by the Company subsequent to June 30, 1988. provided equipment lease financing to corporations, partnerships and individuals that met its internal underwriting and credit standards. Revenues from the Company's equipment leasing business represented 1.6% of the Through the fiscal year ended June 30, 1988, the Company

Missouri; Memphis, Tennessee; Dallas, Texas; and Houston, Texas. The Company anticipates that these regional sales offices will, over the next two years, be transferred to persons who purchase tranchises for the territories covered by these offices. Avenue, New York, New York where the Company leases approximately 100,000 gross square feet. The Company currently maintains sales offices in the following metropolitan areas: Los Angeles, California; Denver, Colorado; Washington, DC; Ft. Lauderdale, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusette; St. Louis, Massachusette; St. Louis, The Company's headquarters are located at 417 Fifth

Competition

Although the Company anticipates increased competition in the healthcare receivables factoring and servicing business, the Company currently believes that its primary competition comes from traditional lenders to healthcare providers who may provide lines of credit but limited or no additional services at a lower cost to the healthcare services who do not provide a factoring capability. providers. In addition, the Company encounters competition from other providers of account receivable management

Apart from the healthcare receivables and factoring business discussed above, the commercial factoring business

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is also highly competitive with over 12,000 firms competing for this business either on a local, regional or national basis. Among competitors of the Company in this business are firms that have more experience, broader name recognition and stronger financial resources than the Company. The Company believes its competitive position in the industry is strong the firms that the position in the industry is strong the position in the position in the industry is strong the position in the industry is strong the position in the industry is strong the position in the position due to its experienced personnel and advanced computer systems which allow it to manage all accounts effectively for any client and to manage the various debtors professionally.

industry and stronger financial resources than the Company. The Company believes that its data processing capabilities and its proprietory automatic account tracking and collection programs make its commercial factoring business competitive in the industry.

is highly competitive with over 250 firms competing for this business either on a local, regional or national basis. There are numerous commercial factors who have longer business histories, more established positions in the

3

Personnel

Company's services. The independent contractors are not required to devote any specific amount of time to the Company's business. No employees are represented by a collective bargaining unit and the Company generally considers relations with its employees to be good. The Company's staff is employed directly by TFC Management, Inc., a wholly owned subsidiary of Professional Business Brokers, Inc. (see Item 7, "Certain Relationships and Related Transactions"), and are employed by the Company on a subsidiary of Professional Business Brokers. As of March 31, 1991, the Company had a staff of 450. Approximately 4% of the Company's staff is employed on a part-time basis. In addition, the Company has an extensive network of independent contractors to supplement its in-house sales force. As of June 30, 1990, the Company had contracts with over 1,000 independent contractors who are paid on a commission-only basis for soliciting clients for the Company's services. The independent contractors are not commission-only basis for soliciting clients. subcontracted basis.

Financing Practices

The Company's factoring and portfolio acquisition businesses require substantial capital to fund the portion of the purchase price of receivables payable upon acquisition of the receivables. The amount of capital required is dependent on the volume of business the Company generates and how quickly the receivables can be collected thereby providing

funds for further purchases. The Company has funded its factoring and portfolio acquisition capital requirements primarily through the sale of debt in the capital markets. The Company intends to continue to rely primarily on this source of funding for its ongoing capital requirements because it believes that such debt provides a less expensive and more reliable source of funding than direct bank

The following table provides certain information concerning certain outstanding debt of the Company and its subsidiaries as of December 31, 1990: financing.

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Name of Issue	Type of Issue	319, of, 34	4 Original <u>Haturity</u>	Per Ann Interd Rates	Cullateral
Various Bank Lines	Commercial Loans	\$ 798,000	(1)	16% and 18% (2)	Commercial Accounts Receivable acquired with the proceeds of the loans
Insured Over- Collateralized Class A Bonds	Foreign Placement- Capital Markets	\$ 1,108,457	(3)	(3)	Healthcare Accounts Receivable acquired with the proceeds of the Notes
Recourse Promissory Notes-1989	Private Placement- 'Capital Harkets	\$44,377,600	(1)	14% and 16% (2)	Healthcare and Business Accounts Receivable acquired with the proceeds of the Notes
Recourse Promissory Notes-1990	Private Placement- Capital Harkets	\$49,983,800	(1)	13% and 15% (2)	Healthcare and Business Accounts Receivable acquired with the proceeds of the Notes
Recourse Promissory Notes-1990/1991	Private Placement- Capital Markets	\$11,681,500	(1)	13% and 15% (2)	Healthcare and Business Accounts Receivable acquired with the proceeds of the Notes
Promissory Notes— Bank of Cape Verde	Commercial Loan	\$15,000,000	2 years	15% and 18% (4)	Hemlthcare and Business Accounts Receivable ocquired with the proceeds of the Notes
Mealthcare Receivable-Backed Bonds (5)	Private Placement- Capital Markets	\$56,500,000	July 15, 1992 (6)	10.2% (5)	Healthcare Accounts Receivable acquired with the proceeds of the Bonds
Healthcare Receivable-Backed BondsSeries 1990A	Private Flacement- Capital Markets	\$41,500,000	Oscember 15 1993 (6)	9.75%	Healthcare Accounts Receivable acquired with the proceeds of the Bonds

⁽¹⁾ Investors elected maturities of either one or two years. At maturity, the Company has, in the past, given purchasers of the Insurad Over-Collateralized Class A Bonds, the Recourse Promissory Notes - 1889, the Recourse Promissory Notes - 1990 and the Recourse Promissory Notes-1990(1991) the ability to reinvest the principal amount of such instruments through the purchase of the promissory notes then being offered by the Company at the interest rate in effect at the time the investor initially invested.

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The proceeds from the sale of the debt issued by Towers Healthcare Receivables Funding Corporation 11 (the "Bond Issuers"), after payment of sales commissions of 1% of the offering proceeds, payment of a nonaccountable organizational and offering proceeds, payment of a nonaccountable organizational and offering proceeds, payment of a nonaccountable organizational and offering proceeds, were available for the purchase of the offering proceeds, were available for the purchase of healthcare accounts receivable from the Company. The purchase of the offering proceeds, were available for the purchase of healthcare accounts receivables is required to be 95% of the sum of the amounts actually received by the respective Bond Issuer from third-party obligors (e.g., insurance companies, the United States government, pursuant to the Medicare program, and the various states, pursuant to their Medicaid programs) and patients with respect to such healthcare accounts receivable plus all unpaid amounts due and owing from third-party obligors but not paid by the date the deferred portion of the purchase price is due pursuant to constitute a breach of representations and varranties made by the Company in connection with the purchase of such healthcare accounts receivable by the respective Bond Issuer (the "Collected Value"). The purchase price will be paid as follows: upon acquisition, the receivable. The remaining portion of the company an amount equal to 50% of the stated value of each healthcare account receivable by the paid by the respective Bond Issuer to the Company upon the earliest of (i) three business days following receipt by the respective Bond Issuer of payment with respect to such healthcare account receivable, (ii) 30 days after the earliest of the abreach of a representation or varranty by the company will not pay the amount owed for reasons that would not constitute a breach of a representation or varranty by the company will be pasted of a representation on varranty by the company will be pasted of a representa not constitute a breach of a representation or warranty the Company in the applicable master sale and servicing agreement or (iii) 365 days after the healthcare account receivable is purchased by the respective Bond Issuer.

The Company is not directly liable on the debt of either Towers Healthcare Receivables Funding Corporation or Towers Healthcare Receivables Funding Corporation-II but does act as the servicer of the accounts receivable owned by the issuing

The more recent debt has lower interest rates which the Company believes is attributable to various factors, including an increasing acceptance of its debt by the capital markets, a generally lower overall interest rate environment and the fact that certain of the more recent debt issuances by its subsidiaries have been assigned to the subsidiaries as the subsidiaries have been assigned to the subsidiaries as the subsidiaries have been assigned to the subsidiaries as the subsidiaries have been assigned to the subsidiaries as the subsidiaries have been assigned to the subsidiaries as th its subsidiaries have been assigned investment-grade tings by a nationally recognized securities rating ag agency

⁽²⁾ The one-year debt carried the lower of the two interest rates. The two-year debt carried the higher of the two interest rates. In addition, as the result of reinvestments by holders of previously issued debt at the interest rate in effect at the time the investor initially invested, \$9,105,000 in principal amount of the Recourse Promissory Notes-1989, \$12,317,500 in principal amount of the Recourse Promissory Notes-1990 and \$4,970,000 in principal amount of Recourse Promissory Notes-1990/1991 bore interest at rates in excess of those levels shown in the table but, in no event, more than lax per annum.

⁽³⁾ Interest rates were privately negotiated between the Company and the investors and ranged from 11% to 15% per annum. Original maturities ranged from one to five years.

⁽⁴⁾ The first \$3,000,000 bears interest at 18% per annum and the remainder bears interest at 15% per annum.

⁽⁵⁾ These Bonds were issued by Towers Healthcare Receivables Funding Corporation, a wholly owned subsidiary of the Company, and are secured by healthcare accounts receivable acquired by Towers Realthcare Receivables funding Corporation from the Company with the proceeds of the Bonds. The maturity of the Bonds is subject to extension at the option of the Bondholder to November 15, 1993 at 200 basis points over the interest rate on two-year Treasury Notes immediately preceding November 15, 1991.

⁽⁴⁾ These Bonds were issued by Towers Healthcare Receivables Funding Corporation-II, a wholly owned subsidiary of the Company, and are secured by healthcare accounts receivable acquired by Towers Healthcare Receivable Funding Corporation-II from the Company with the proceeds of the Bonds.

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required to invest available funds in short-term debt of lasuers whose short-term credit ratings are in one of the two highest short-term credit rating categories them available from Standard & Poor's Corporation. Moody's Investors Service or Duff & Phelps Credit Rating Co. the extent of approximately 50% of the stated value of such healthcare account receivable) and, upon commencement of the principal amortization of the Bond Issuer's debt, payment of principal of such debt. Certain proceeds from the collection of the healthcare accounts receivable which remain after the foregoing payments may be released to the Company for general corporate purposes. Pending investment or reinvestment in healthcare accounts receivables, the Bond Issuers are Proceeds from the collection of the healthcare accounts receivable are used for payment of interest on the Bond Issuers' debt, payment of the deferred portion of the Urchase price of the healthcare accounts receivable, payment of a monthly servicing fee of 1/12 of 2% of the stated value of outstanding healthcare accounts receivable on a monthly basis, payment of trustee and other administrative fees and expenses, reinvestment in healthcare accounts receivable (to

Regulation

The Company and its subsidiary, TCS, are required by a number of states to be licensed to carry on collection activities. The laws under which such licenses are granted generally provide for annual license renewals, as well as denials, suspensions or revocations for improper action or other disabilities. In addition, in connection with their collection activities, the Company and TCS are subject to the Federal Trade Commission Act which forbids the use of any descritive representations. deceptive representation or deceptive means to collect debts or to obtain information concerning debtors.

Item 2. Financial Information

Selected Consolidated Financial Data

The financial data presented below are derived from the Company's consolidated financial statements and related notes which have been audited by Marvin E. Basson, CPA, P.C. The following table should be read in conjunction with the Company's audited consolidated financial statements and related notes and is qualified in its entirety by reference thereto.

Shareholders' Equity	Intal Liabilities	(at ead of year) Total Assets	Balance Sheet Data	Earnings Per Share	Average Lemon Shares Outstanding	Net Income	Provision for Income Taxes	Provision for Taxes	Income Before	Operating Expenses	Gross Revenues	Income Statement Data			
13,421	182.141	195,562		.86	4.470	3,902	6,300	10,203		64.240	\$ 74,443			0661	
9,419	112,312	121.731		. 70	4,500	3,486	ובנ,נ	6,813		46,455	\$ 53,269		(Dallars i	1989	fis
5.933	69,662	75,595		.31	4,500	1,413	1,656	3,069		40.506	\$ 43,575		n thousands	1999	Fiscal Year Ended June 30
4,519	<u>4</u> , <u>7</u>	48,673		1.00	4,250	4.270	7,390	6,660		16,821	\$25,481		(Dallars in thousands except earnings per share)	1961	9d June 30.
250	9.761	10,031		.21	4,000	863		1,761		14, 181	\$15.942		ngs per shar	1986	
15,387	266,558	281,945		. 43	4,500	1, 962	.43	3,403		30,027	\$ 41.429	; ;	ė	1990	Decembe

4,500 .42

133, 166 121,010 12,155

1,821

\$ 22,613

18,897

and Results of Operations Management's Discussion and

respect to Factored Accounts is a stated percentage of the total accounts purchased. The amount of revenue recorded with respect to Collection Accounts is the amount that the Company expects to retain after it pays over to the client the amount due to the client. The Company records revenues upon collection of accounts purchased by the Company in its portfolio acquisition business ("Purchased Accounts"). The amount of revenue recorded with respect to purchased Accounts is the amount that the Company receives, less amounts due to the seller with respect to such accounts. Generally, the amounts due to clients with respect to Collection Accounts is a percentage of the amount collected. Amounts due to clients upon collection of Factored Accounts are generally less than for Collection Accounts because at least 50% of the purchase price of the Factored Accounts is paid upon the purchase of such accounts. Amounts due to clients with respect to The Company records revenues upon acquisition of accounts receivable acquired by the Company in its factoring business ("Factored Accounts") and accounts receivable assigned to the Company in its collection business ("Collection Accounts"). The amount of revenue recorded with Purchased Accounts are generally fairly low

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Six Months Ended 2 December 31.

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Fiscal Year Ended June 30,

reflective of the Company's determination to allocate more of the financial, managerial and staff resources to the factoring business due to the Company's belief that this business will, during the next couple of years, be more profitable to the Company than its collection business. 1988. In addition, revenues from Collection Accounts have represented 22.5%, 25.2% and 34.6% of the Company's Gross Profit for the fiscal years ended June 30, 1990, 1989 and 1988. These declines are attributable to the growth of the Company's factoring business at a faster rate than the growth of its collections business. This faster rate of growth is Revenues from Collection Accounts represented 48.0% of Gross Revenues for the fiscal year ended June 30, 1990, 55. 56.6% of Gross Revenues for the fiscal year ended June 30. Gross Revenues for the fiscal year ended June 30, 1989 and 55.7%

Company's purchases of healthcare receivables. The Company's business has grown in this area primarily as the result of its having few effective competitors due to the recent introduction of these financing mechanisms to the healthcare industry. This absence of effective competitors is expected to disappear during the next several years as competitors introduce their own services into this industry. A significant part of the growth in the Company's factoring business in recent periods has been related to the The Company's

The Company's expenditures for salaries and benefits are dependent, in large part, upon employment levels, which, in turn, are primarily dependent on the volume of accounts assigned to the Company for collection and the volume of accounts acquired by the Company in its factoring business. Benefits as a percent of total "salaries and benefits" has increased to approximately 12% for the fiscal year ended June 30, 1980 and 1988 as the result of increases in the quality of fringe benefits provided to the employees. The Company believes that the relatively low levels of inflation experienced in recent years has had a favorable impact on the level of "salaries and benefits."

The Company's selling expenses are primarily commissions payable to independent contractors for submission of accounts for collection or for purchase by the Company. As a percentage of the face value of accounts received for collection and accounts purchased, selling expenses have stayed in the range of 2.0% to 2.5% for each of the three fiscal years ended June 30, 1990,

perating costs. relegacine expense was \$1,353,14, \$1,072,387 and \$632,174 for the fiscal years ended June 30, 1990, 1989 and 1988. These increases are primarily related to the Company's increased business activity. Over the past three years the Company has invested over \$630,000 in acquiring a sophisticated telephone system which permits the monitoring of telephone traffic and the ability to efficiently switch calls and lines to the most cost effective provider. Postage and supplies expense increased 53% in the fiscal year ended June 30, 1990 over the prior fiscal year primarily reflecting the Company's increased business activity and a distribution of literature regarding the Company's healthcare receivable factoring and servicing activities. Occupancy costs increased 38% in the fiscal year ended June 30, 1989 and 94% in the fiscal year ended June 30, 1989 over the level for the fiscal year ended June 30, 1988. These increases were due primarily to new and/or revised leases for corporate headquarters and regional sales offices and the addition of leasehold improvements. It is estimated \$250,000 to \$300,000 per year if the regional sales offices are transferred to franchisees as described in Item 1-"Business." Commissions paid to brokers for the sale of the Company's debt was \$4,655,652, \$1,627,850 and \$2,119,461 for the fiscal years ended June 30, 1989 and 1988. This expense is directly related to the amount of debt that debt. Costs of collection were \$17,510,635,\$17,049,801 and \$22,688,569 for the fiscal years ended June 30, 1990, 1989 and 1989 and 1988, respectively. Other operating costs increased 1989 and 1988, respectively. Other operating costs increased 59% in the fiscal year ended June 30, 1990 over the level for the fiscal year ended June 30, 1989 and 55% in the fiscal year ended June 30, 1989 over the level for the fiscal year ended June 30, 1988 primarily as a result of the Company's expense, (iii) occupancy costs (including rent, depreciation of furniture and fixtures and amortization of leasehold The Company's general and administrative expenses consist of (1) telephone expense, (11) postage and supposes the constant of the company's general and administrative expenses. improvements), (iv) commissions paid to brokers for sale of the Company's debt, (v) costs of collection and (vi) other operating costs. Telephone expense was \$1,353,714, postage and supplies

\$5.4 million for interest and penalties on taxes determined to be due in prior years. For further detail concerning the Company's provision, see Note 8 to the Company's financial statements. The Company elected to adopt Statement of Financial Accounting Standards No. 96 "Accounting for Income. Taxes" and reflect the entire impact of the change in the consolidated Statement of Income for the year ended June 30,

The Company's provision for income taxes has equaled 61.7%, 48.8% and 53.9% of "income before provision for taxes" for each of the years ended June 30, 1990, 1988 and 1988 Included in the Company's calculation of income taxes for the year ended June 30, 1990 was an add back of approximately

1990, increasing pretax earnings by approximately \$.24 per

increased business activity. Proceeds from the settlement of alwauit were received during the fiscal year ended June 30,

1990. The Company's effective tax rate, however, has remained relatively stable over the last three years as a

The same trends and considerations that affected the fiscal year financial statements also affected the financial statements for the six months ended December 31, 1980 as compared to the six months ended December 31, 1989. Six Months Ended December 31, 990 Compared With Six Months 1989

The substantial increases in gross revenues and interest expense during the six months ended becember 31, 1990 over the six months ended becember 31, 1989 was due primarily to the issuance of Healthcare Receivable-Backed Bonds by two special-purpose subsidiaries of the Company during the six months ended December 31, 1990 and the use of those proceeds to purchase healthcare accounts receivable.

The general and administrative expenses of the Company for the six months ended December 31, 1989, June 30, 1990 and December 31, 1990 were \$7,075,163, \$25,137,159 and \$12,086,138, respectively. The significant period-to-period changes in general and administrative expenses, in large part, reflect changes in costs of collection, which in turn are heavily influenced by changes in the composition of the Company's portfolio of accounts receivable. As noted above, increased acquisitions of Collection Accounts result in on such accounts. increased amounts due to clients as collections are received

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the six months ended December 31, 1990 than the comparative period in 1989 due to a determination by the Company to allocate a significant portion of its revenues to states other than New York, in recognition of where the income was openerated. Such states generally have lower income tax rates the first states of the company of the company of the states generally have lower income tax rates than does the State of New York. The Company's provision for income taxes is lower for

Liquidity. The Company's liquidity needs are primarily dependent on the rate of growth of its capital-intensive businesses (namely, factoring), the price it pays for Factoring Accounts, the speed at which it is able to collect receivables and the interest rate on its debt.

liquidity needs, all else being equal. In addition, the Company has entered into an agreement with PBB pursuant to which the Company is required to make payments of up to \$1.2 million per year over the next eight years. See Item 7---Certain Relationships and Related Transactions." Company pays for Factored Accounts. Increased competition the factoring of healthcare accounts receivable is anticipated. As a result, the initial installment of the purchase price which the Company pays for such accounts receivable is likely to increase, thereby increasing its growth of the Company's factoring business, primarily in are likely to increase its needs for liquidity are (i) the healthcare industry, and (ii) an increase in the price the Trends in the Company's business which, if continued the 'n

are likely to reduce its needs for liquidity are (1) the reduction in the number of days it takes for the Company to collect funds on receivables which it has purchased or which have been assigned to it for collection ("recovery time") and (11) the reduced interest takes the Company is paying on its outstanding debt. The average interest rate on the Company's outstanding debt has fallen from approximately 16% per annum professionals. Downturns in business cycles can, however, adversely affect collection speed. Although the Company does not keep statistics relating to collection speed, management believes that the Company collects accounts receivable more as of March 31, 1990 to approximately 12% per annum as of March 31, 1991. See Item 1---Business--Financing Practices. The Company's recovery time is generally enhanced by its continual refining of its computer software and systems and the experience of its collections quickly than it did several years ago before its collections services were computerized. Trends in the Company's business which, if continued,

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generated approximately \$128.6 million from the issuance of Company generated over \$45.8 million from the issuance of debt and approximately \$4.3 million from operating revenues. During the six months ended December 31, 1990, the Company

In the past, the Company has managed its liquidity needs to the extent not funded from operations through the sale of its debt, or debt of its subsidiaries, in the capital markets. During the fiscal year ended June 30, 1990, the

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its debt and, to a lesser extent, from operating revenues, the Company believes that other sources of funding, including bank financing and equity funding, may be available if it is unable to fund its liquidity needs as it has in the past. There is no assurance that the Company's liquidity funding requirements will not grow beyond its liquidity funding capabilities or that it will be able to continue funding its current liquidity requirements. Significant increases in interest rates or a reduction in the market's acceptance of the debt of the Company and its subsidiaries could have a material adverse impact on the Company's liquidity. A loss of liquidity would result in a reduced rate of growth in the Company's capital intensive businesses (namely, factoring and portfolio acquisitions) and perhaps even a decline in such business artivities. business activities. A loss of liquidity would force the Company to focus its business activities on less capital-intensive aspects of its business. If the Company experiences a loss of liquidity, it can be expected that the business activities on which the Company would focus would be less profitable for the Company than the more capital-intensive business. capital-intensive businesses. See also Item 1, "Business" and Item 10, "Recent Sales of Unregistered Securities." continue to fund its liquidity needs through the issuance of debt and approximately \$41.4 million from operating revenues. Although the Company expects to be able to

Item 3. Properties

and costs of providing certain building services) and expire in 1936. Approximately 82% of the Company's employees are located in its New York office. The Company currently maintains sales offices in the following metropolitan areas: Los Angeles, California; Denver, Colorado; Washington, DC; Ft. Lauderdale, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; St. Louis, Missouri; Memphis, The Company's executive, administrative and operational offices are located at 417 Fifth Avenue, New York, New York, where the Company subleases approximately 100,000 gross square feet. The subleases for such space provide for annual rental payments of approximately \$1,820,000 (subject to adjustment for increases or decreases in the landlord's taxes Texas; and Houston, Texas. The Company

> next two years, be transferred to persons who purchase franchises for the territories covered by these offices. anticipates that these regional sales offices will, over the

October 31, 1995. With one exception, the leases for all other regional sales offices have expired, and the Company is occupying those offices on month-to-month tenancles. Except for the Los Angeles, California office, the annual rental payments for the regional sales offices do not currently exceed \$30,000 for any one office, and the annual lease payments for all regional sales offices aggregate The sales offices occupy leased space in each of the metropolitan areas in which they are located. The lease for space in the Los Angeles, California metropolitan area requires annual payments of approximately \$134,000 through contract to 1000 through the contract to 1000 thro approximately \$265,000. The lease for

tem Security Ownership of Certain Beneficial Owners and Management

respect to the beneficial ownership (determined in accordance with Securities and Exchange Commission Rule 13d-3 under the Securities Exchange Act of 1934) of the Company's common stock by each person known to the Company to beneficially own more than 5% of the Company's outstanding common stock, by each director of the Company and by all officers and directors as a group. The following table sets forth certain information with

Nitchell Brater(2) 417 Fifth Avenue New York, New York	Sovereign Holdings, Ltd., as voting trustee(2) 417 Fifth Avenue New York, New York	Professional Business Brukers, Inc.(1) 417 Fifth Avenue New York, New York	Name and Address of Beneficial Denec
	500,000	3,410,520	Washer Voting Control
500,000		3,210,520	Mumber of Shares ing Investment tral Control
18.00%	10.002	68.21x 64.21x	Percent of

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a group (11 persons)(6) All officers and directors as

4,110,520

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Charles H. Chagerman(5) 417 Fifth Avenue New York, New York	Raymand Lewis 417 Fifth Avenue New York, Mew York	Michael Roseff 417 Fifth Avenue New York, New York	Ben Barnes(5) Suite 1630 600 Congress Avenue Austin, Texas	Incmas B. Evans, Jr.(5) Suite 810 1010 Wisconsin Avenue Washington, D.C.	Steven Hoffenberg 417 Fifth Avenue New York, New York
þ	ŕ	ţ	100,000	100,000	3,910,520 (3)
100,000	þ	Ļ	190,003	100,000	3,210,520 (4)
2.00%	þ.	¥-0-	2.90%	2.00%	38.21% 64.21%

Executive Officer and President of the Company, is also the President of Professional Business Brokers, Inc. All of the outstanding capital stock of Professional Business Brokers, Inc. is owned by The Hoffenberg Family Trust. Mr. Hoffenberg is the trustee of The Hoffenberg Family Trust. Included in this total are 200,000 shares with respect to which Professional Business Brokers, Inc. has an irrevocable proxy but no investment control. Steven Hoffenberg, Chairman of the Board, Chief

(2) These shares are held in the name of Sovereign Holdings, Ltd. pursuant to a Voting Trust Agreement dated becamber 20, 1989, wherein Sovereign Holdings, Ltd. and its successors in trust have the sole voting power over these shares until December 20, 2004. Mr. Brater is entitled to receive all dividends, if any, declared with respect to these shares and may transfer his interest in the voting trust at any time, subject to applicable law. Sovereign Holdings,

(3) This reflects a combination of the shares over which Professional Business Brokers, Inc. and Sovereign Holdings, Ltd. have voting control. See footnotes (1) and (2). Ltd. is a wholly owned subsidiary of Professional Business Brokers, Inc. (see footnote (1) above), and its President is Steven Hoffenberg.

- (4) This reflects the shares over which Professional Business Brokers, Inc. has investment control. See footnote (1).
- and Chugerman during 1991 in consideration for services previously rendered to the Company. Mr. Chugerman has given an irrevocable proxy to Professional Business Brokers, Inc. with respect to his 100,000 sheres.
- (6) Included in this total are 100,000 shares issued in 1991 to Mr. DiNicolas, a Senior Vice President of the Company, pursuant to an option granted in 1991 for an aggregate purchase price of \$100. The option was granted in consideration for services rendered by Mr. DiNicolas in connection with the structuring and assistance in the marketing of the Healthcare Receivable-Backed Bonds offered by two subsidiaries of the Company. See Item 6--"Executive Compensation." Mr. DiNicolas has given an irrevocable proxy to Professional Business Brokers, Inc. with respect to his 100,000 shares.

Item 5. Directors and Executive Officers

The directors and executive officers of the Company are listed below. Except as otherwise set forth in the description of their business experience below, each of the persons listed has held his position with the Company for at

Michael Rosoff	Mitchell Brater	Steven Hoffenberg	Name
* 1	* 9	* 6	<u>Age</u>
Director, Senior Vice President, Chief Legal Officer and Assistant Secretary	Vice Chairman of the Board and Chief Operating Officer	Chairman of the Board, Chief Executive Officer and President	Positions and Offices Held With the Company

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	'								
Mitchell Brater became Vice Chairman of the Board ar Chief Operating Officer of the Company in November 1987. Mr. Brater has also been President of Eton Capital Corp. Eton Securities Corp. ("Eton"), and Eton is predecessors is more than the past five years. Eton Capital Corp. is a financial services company. Eton is a registered securit broker-dealer. Mr. Brater currently devotes his full tin the Company's business.	Steven Hoffenberg has been the Chairman of the President of TCC and Professional Business Brokers, since their inception.	The Company's directors hold of annual meeting of stockholders or un been duly elected and qualified. The officers are elected annually by, an pleasure of, the Board of Directors.	Raymond Lewis	Richard Levine	Xavier Eboli	Anthony DiNicolas	Ben Barnes	Thomas B. Evans, Jr.	Charles H. Chugerman
of the Con of the Con in President "Eton"), an years. Eton ter current	has been theofessional	ectors hold cholders or qualified. mually by, of Director	74	4 5	51	41	53	58	32
Mitchell Brater became Vice Chairman of the Board and Chief Operating Officer of the Company in November 1987. Mr. Brater has also been President of Eton Capital Corp. and Eton Securities Corp. ("Eton"), and Eton's predecessors for more than the past five years. Eton Capital Corp. is a financial services company. Eton is a registered securities broker-dealer. Mr. Brater currently devotes his full time to the Company's business.	ne Chairman of the Board and Business Brokers, Inc.	office until the next until their successors have The Company's executive and hold office at the rs.	Director and Vice President	Vice President-Finance and Ch Financial Officer	Vice President	Senior Vice President	Director	Director	Director, Vice President and Secretary

Michael Rosoff became a Senior Vice President and Chief Legal Officer at the Company in 1989. He became a Vice President, an Assistant Secretary, General Counsel and a Director of the Company in 1986. Mr. Rosoff has also been a Vice President, General Counsel and a Director of TCS and TCC

Charles H. Chugerman has been President of TLC since 1985 and a Vice President of TCS since 1984.

Ltd., a Washington, D.C.-based consulting firm, since 1989 and was a senior partner in the law firm of Manatt, Phelps, Thomas B. Evans Jr. became a Director of the Company in Mr. Evans has been the President of the Evans Group, Evans from 1985 to 1989.

serves as a Director of Zemex Corporation, a diversified minerals and materials firm. Mr. Evans served as Co-Chairman of the Republican National Committee from 1971 to 1973. He was a member of the United States House of Representatives from 1977 to 1983.

Entrecorp. Prior to that, Mr. Barnes was the Chief Executive Officer of Barnes-Connally Partnership, a real estate and oil and gas holding and development company, from 1981 to 1987. Mr. Barnes served as Lieutenant Governor for the State of Texas from 1969 to 1973 and as the Speaker of the House of Mr. Barnes and Barnes-Connally Partnership filed voluntary Petitions with the United States Bankruptcy Court in December 1987 and July 1987, respectively, under Chapter 7 of the United States Bankruptcy Code as a result of the severe economic dislocations in the Texas real estate and oil and gas industries during the mid-1980's. Mr. Barnes has since 1987 and Ben Barnes became a Director of the Company in 1990 Jarnes has been a business and government consultant is currently operating under the name of

Anthony DiNicolas, prior to joining the Company in 1989, was a Vice President at First Ohio Securities from April 1989 to September 1989, a Vice President at Security Pacific National Bank from 1987 to 1989. From 1986 to 1987, Mr. DiNicholas was a Vice President at Smith Barney, Harris Upham, Inc. and from 1985 to 1987, Mr. DiNicholas was a securities broker with Bear Stearns & Co. Inc.

Xavier Eboli has been a Director of the Company since 1988 and a Vice President of the Company since 1986. He has been a Director of TCC since 1989 and a Director and President of TCS since 1985. He has

Richard Levine has been in his current position with the Company since 1984 except for eight months during 1989 when he served as a Vice President of the Company.

Š Raymond Lewis has been a Vice President and Director of since prior to 1984.

On August 4, 1988, the Securities and Exchange Commission commenced a civil action in the United States District Court for the Southern District of New York (88 Civ. 5421) against the Company, TCC, Steven Hoffenberg, Mitchell Brater and Eton alleging that offers and sales of Certain securities of TCC were made to the public by such persons without first having a registration statement on file and by the Securities and Exchange

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in his capacity as President of Eton, consented to the entry of an Order on May 13, 1989 by the Securities and Exchange Commission in an administrative proceeding separate from the civil action discussed above (1) prohibiting Eton from participating in any public and certain private offerings of securities for 60 days, (ii) prohibiting Mitchell Brater from any association with any broker, dealer, investment company, investment advisor or municipal securities dealer for 60 days and (iii) prohibiting Eton from participating in any public and certain private offerings of securities for three years unless Eton has retained independent counsel to provide a written opinion and certain other advice to Eton regarding Securities Act of 1933, as amended, depending on the Section Commission. The Company, TCC and Steven Hoffenberg, without admitting or denying the Securities and Exchange Commission's allegations, consented to the entry of a judgment of permanent injunction on November 16, 1988 enjoining them from violating Sections 5(a) and 5(c) of the Securities Act of 1933, as amended. Mitchell Brater and Exchange Commission's allegations, consented to the entry of a judgment of similar permanent injunction on April 27, 1989. As a result of the same allegations as are discussed above. Eton, in its consented to the entry of a property of the same allegations as are discussed above. Eton, in its applicable to the particular offering. capacity as a registered broker-dealer, and Mitchell Brater,

Company and TCC, as described above, disqualified the Company and TCC from using the private offering exemption from registration that is provided in the Nebraska Revised Statutes, for sales of certain promissory notes and, as a result, three of such sales in Nebraska were made in violation of the securities registration requirements of Nebraska law. The Consent Order imposed a \$5.000 penalty and fine on the Company and TCC and required maintenance of a current registration or claim of an applicable exemption at all times offers and sales of their securities are made in On June 11, 1990, the State of Nebraska Department of Banking and Finance entered a Consent Order in an administrative proceeding against the Company and TCC after finding that the permanent injunction entered against the Company and TCC, as described above, disqualified the Company

On February 20, 1990, TCC consented to the entry of an Administrative Order against TCC by the Alabama Securities Commission following a determination by the Alabama Securities Commission that TCC sold its promissory notes to nonaccredited investors in violation of the terms of an exemption from registration of such sales with the Alabama Securities Commission. The Administrative Order directed TCC

> to cease and desist from any offer or sale of any security of from any other securities activities into, within, or from the State of Alabama in violation of the Alabama Securities è

On January 8, 1991, the Company consented to the entry for the State of Louisiana ordering the company to cease and desist any activities which are in violation of the Louisiana Securities Act. The Louisiana Cease and Desist Order arose out of an investigation by the Louisiana Commissioner of Securities into whether certain promissory notes offered by the Company through Biedenharn Investment Group, Inc. were sold on behalf of the Company in a manner that did not comply with the requirements for an exemption from registration under Louisiana securities laws and regulations. In the Cease and Desist Order, the Louisiana Commissioner of Securities stated that "it appears that [the Company] is in violation of the Louisiana Securities Act, in that the Louisiana." In consenting to the entry of the Cease and Desist Order, the Company neither admitted nor denied any lightful. liability.

In addition, on October 17, 1989, the New Jersey Bureau of Securities issued an order of denial of exemption against TCC relating to its 1988 private offering of promissory notes due to the failure to timely file a notice of exemption within 30 days of completion of the offering.

securities laws. If the Company were disqualified from the future use of the Uniform Limited Offering Exemption, it would be required to register its future securities offerings in certain states or would be required to rely on other exemptions from registration, which could result in an increase in the Company's cost of raising capital. Company management believes that any such increase in the cost of raising capital would not be material, particularly in light of the Company's success in raising nearly \$100 million in securities in reliance upon other exemptions from Certain of the foregoing federal and state orders will, if not waived, disqualify the Company from future use of the Uniform Limited Offering Exemption from registration of offers and sales of securities under the various states' securities laws. If the Company were disqualified from the

Item 6. Executive Compensation

including bonuses and deferred compensation paid by the The following table sets forth all cash compensation,

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Name of Individual or Number in Group Steven Hoffenberg (1)	Capacities in Camber Competition Served Competition Competition of the Board, \$100 Chief Executive Officer and President	Cash Compensation \$100,000
Steven Hoffenberg	Chairman of the Board,	\$100
;	Chief Executive Officer and President	
Mitchell Brater	Vice Chairman of the Board and Chief Operating Officer	**
Michael Rosoff	Director, Senior Vice President, Chief	\$100,000
	Legal Officer and Assistant Secretary	

Charles Chugerman (3) Director, Vice President and Secretary

Senior Vice President \$150,000

\$160,000

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Executive Officers

group (10 persons)

Anthony DiNicolas (4)

\$928,000

Transactions. (1) See Item 7, "Certain Relationships and Related martines."

(2) During the Company's fiscal year ended June 30, 1990, the Company paid \$385,000 to Eton Capital Corp. for services rendered to the Company by Mr. Brater. Mr. Brater is the President and sole shareholder of Eton Capital Corp. In addition, during that same year, the Company forgave the interest on a \$250,000 promissory note which Mr. Brater had given the Company in consideration for the issuance to him of 500,000 shares of the Company's capital stock.

(3) In May 1991, the Company issued 100,000 shares of the Company's common stock to Mr. Chugerman in consideration for services previously rendered to the Company in connection with its collection business. On the date the stock was stock was reported by the National Quotation Bureau, Inc.

(4) Mr. DiNicolas' employment agreement provided that upon \$100 million being raised for the Company from institutional offerings arising from Mr. DiNicolas' efforts, the Company would grant Mr. DiNicolas an option to acquire 100,000 shares of the Company's common stock for \$1.00 per share. The Company subsequently agreed to modify the employment agreement to reduce the \$100 million requirement to \$98 million and to reduce the exercise price to an amount equal to the par value of the Company's common stock, namely \$.001 per share. The Company granted Mr. DiNicolas the option under the modified terms in January 1991. On the date the option was granted (January 4, 1991), the bid price for the Company's common stock was reported by the National Quotation Bureau, Inc. at \$10.00. On the date the option was common stock was reported by the Company's common stock was reported by the Division was exercised (March 27, 1991), the bid price for the Company's common stock was reported by the National Quotation Bureau, inc. at \$10.00 the date the option was exercised (March 27, 1991), the bid price for the Company's common stock was reported by the National Quotation Bureau,

Item 7. Certain Relationships and Related Transactions

In 1986, Professional Business Brokers, Inc. ("PBB") Corporation ("TLC") to the Company in exchange for the Company's agreement to pay PBB for a period of five years from July 9, 1986 and amount equal to the aggregate of (i) 3% of the gross value of all claims booked by TCS during such period, (ii) 3% of the gross sales and revenues of TCC during such period, and (iii) 3% of the gross leases and sales revenues of TLC during such period. During the Company's 1987 fiscal year, the agreement was orally modified to give the Company 100% of the company to PBB for a period of seven years from July 1, 1987 an amount equal to 5% of the Company's gross profits before operating expenses, extraordinary items and income taxes. Although the term "gross profits" was not expressly defined in the Company's written agreement with PBB, the Company and PBB interpreted that term to refer to "gross profits" as shown on the Company's prior financial statements which were prepared on a litem 13. Note 3 to the financial statements provides details concerning the amounts which were required to be paid during subsequently waived a portion of the payments to which it was entitled during the 1989 fiscal year in exchange for the Company's agreement to change the period of time covered by the agreement to seven years from July 1, 1988. During the 1990, 1989 and 1988 fiscal years, the Company paid PBB fiscal years, the Company by During the least of the period of time covered by the agreement to change the period of time covered by the agreement to change the period of time covered by the seven years from July 1, 1988. During the least years, the Company paid PBB fiscal years, the Company paid PBB

Company's gross revenues for such year, as set forth on its consolidated statement of income, but in no event more than \$1,200,000 per year. In addition, pursuant to the new agreement, the Company has agreed to issue to PBB an option to acquire 400,000 shares of its common stock each year through June 30, 1996 (for an aggregate of 2,000,000 shares) at a price of \$1.00 per share. Each option will expire 10 years after its issuance. On August 1,1991, the bid price for the Company's common stock was recovered by the Newton 1 Quotation Bureau, Inc. at \$ amount of payments required to be made by the Company to PBB, thereby providing more certainty to the Company as to its ultimate obligations to PBB in this respect. The new agreement provides for the Company to pay to PBB an amount each year through June 30, 1998 eral to 1.5% of the years after its issuance. On August , 1991, the bid pric If the Company had paid PBB the full amount required

All of the outstanding capital stock of PBB is owned by The Hoffenberg Family Trust. Mr. Hoffenberg is the trustee of The Hoffenberg Family Trust. under the prior agreement for fiscal years 1988 through 1990 and had the amount required to be paid for fiscal years 1991 through 1995 grown at a rate of 10% each year, the Company would have owed PBB an aggregate of \$24,389,870 under the prior agreement. Under the new agreement, the Company will be required to pay PBB a maximum of \$15,238,934 plus issue stock worth \$14,000,000, assuming issuance of the full 2,000,000 shares with an \$8 per share market value minus the \$1 per share purchase price. per share purchase price

Management, Inc. is 100% owned by Professional Business Brokers, Inc. All of the outstanding capital stock of Professional Business Brokers, Inc. is owned by The Hoffenberg Family Trust. Steven Hoffenberg is the trustee The Hoffenberg Family Trust. During the fiscal year ended Management, Inc. for the provision of certain payroll services to the Company, its subsidiaries and Professional Business Brokers, Inc. The purpose of such an arrangement is to provide a central payroll administration operation for the several different corporations parties to the agreement. In payroll costs (including wage and salary expenses and payroll payroll costs (including wage and salary expenses and payroll Management, Inc. \$6,000 per month to cover general and administrative expenses and overhead, a portion of which may be deemed to be profit to TFC management, Inc. TFC The Company has entered into an agreement with TFC gement, Inc. for the provision of certain payroll ices to the Company, its subsidiaries and Professional the Company paid TFC Management, Inc. no O.

amounts in excess of the full payroll costs (including wage and salary expenses and payroll taxes).

this agreement. On August , 1991, a new agreement was entered into between the Company and PBB in order to fix the

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opportunities that belong to the Company unless those opportunities are first determined by Company management to be inconsistent with the Company's then-current business plan. Although no additional transactions between the Company and PBB are currently being negotiated, it is contemplated that PBB may, in the future, request the Company to provide financing for healthcare-related businesses it may acquire. Any such financing is expected to be on terms comparable to those the Company would provide to third parties under similar circumstances although, since such transactions, if consummated, would not be negotiated on an arm's-length basis, there is no assurance that the terms will he commarable to those which would not be negotiated on an business opportunities that are complementary with or related to the business activities in which the Company is engaged. PBB has advised the Company that PBB will not engage in businesses that are in competition with the Company's business activities nor will it take advantage of business arm's-length negotiations. arm's-length negotiations. In addition, PBB is engaged in other businesses and from time to time may take advantage of made to negotiate these agreements on an arm's-length basis, there is no assurance that the terms of such agreements are reflective of terms which would have resulted from into a payroll services agreement, such as the one it entered into with TFC Management, Inc., with an unaffiliated third party due to the desire to retain indirect control over the indirectly the controlling shareholder of each of the three companies. The Company did not actively consider entering performance of such services. the Company and PBB and the Company and TFC Management, Inc. involves conflicts of interest inasmuch as Steven Hoffenberg is a director and officer and is either directly or comparable to terms which would have resulted from The establishment of the terms of the agreements between inasmuch as no attempt was

Operating Officer of the Company since November 1987, is the sole shareholder and President of Eton. Since October 1986 Eton has been the distributor, either exclusively or with other broker-dealers, of approximately \$37,000,000 of the Company's or its subsidiaries debt securities. Eton has received, for its own account, approximately \$1,450,472 in commissions from such transactions. Eton did not receive any commissions from the Company or its subsidiaries during the Mitchell Brater exercised a stock option to purchase 500,000 shares of the Company's Common Stock at \$.50 per share and the Company or its subsidiaries during the shares of the Company's Common Stock at \$.50 per share and paid for such shares by delivering a \$250,000 promissory note Mitchell Brater, Vice Chairman of the Board and Chief

on January 3, 1990. The Company forgave the interest on that promissory note which had been accruing at 10% per annum and amounted to approximately \$74,800 as of January 3, 1990. The shares issued to Mr. Brater are subject to the Voting Trust Agreement described in footnote 2 to the table of beneficial Agreement forth in "Item 4. Security Ownership of Certain Beneficial Owners and Management." Item 8 to the Company the principal amount of which was paid in on January 3, 1990. The Company forgave the interest on Certain Beneficial Owners and Management. Legal Proceedings

full that

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correction with the common stock and actions taken by Solomon subsequent to his sale of the UDC common stock and actions stock. In April 1990, the defendants counterclaimed for stock. In April 1990, the defendants counterclaimed for compensatory damages in the amount of \$15 million and compensatory damages in an amount not less than \$30 million for fraud and conversion by the Company, Steven Hoffenberg and others as a result of certain representations alleged to have been made in connection with the Company's acquisition of the UDC common stock and subsequent actions alleged to have been taken by Steven Hoffenberg, the Company and others of the Backeteer and there is alleged to the saketes for expenses not related to the business of UDC). The counterclaim also alleges violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO") and seeks triple the amount of their actual damages, if any, as determined by the court. Both proceedings are pending before the United States pistrict Court in the Northern District of Illinois. The Company's management believes that the counterclaim is without merit and that an adverse determination on matters within a damage award which and damages in connection with the sale by Solomon to the Company of approximately 83% of the common stock of United Diversified Corporation ("UC") in 1987. The Company alleges that it was defrauded by the defendants as a result of would have a material adverse effect on the Company. Towers Financial Corporation, et al., Ernest M. Bolomon, et al., The Company instituted a lawsuit in 1989 against Ernest M. Solomon ("Solomon") and others seeking rescission Corporation, et al. 39 C 0913 (N.D. Ill.)

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On UDC's behalf, the Company is a claimant to certificates of deposit held by several banks in the principal amount of approximately \$3.5 million plus interest, totalling approximately \$4.1 million as of March 31, 1991. There are other claimants to the fund, including the Illinois Insurance Director and the Michigan Insurance Director in the order by the United States District Court, the funds are latter's capacity as receiver of Cadillac a company formerly controlled by Bolomon. Pending further

being retained by the banks. Cadillac Insurance Company v. The American National Bank of Schiller Park f/k/a/ First National Bank of Schiller Park, et al.; Case No. 89 C 3267.(N.D. III.).

liquidation petitions. The Director also placed UDC into a conservatorship and petitioned for liquidation of UDC. UDC is contesting that petition on the basis that UDC is not an insurance company and, therefore, is not subject to liquidation of conservatorship under the Illinois Insurance Code. That action is still pending. In the UDC liquidation compel action, the Director has filed a period to compel action to compel action to compel action. applicable Delaware Law. (See Item 1 Directors and Officers.") People of rel., John E. Mashburn, etc. v. Unite Company, et al.; Case No. 88 CH 6942 Mr. Hoffenberg to turn over to the Director certain assets allegedly belonging to UDC and the insurance companies totalling \$2.9 million. Mr. Hoffenberg has denied the material allegations of the Petition and has alleged that all documents and property properly belonging to the purported indemnification by the Company pursuant to its Bylaws and applicable Delaware Law. (See Item 12--"Indemnification of Directors and Officers.") People of the State of Illinois except. John E. Washburn, etc. v. United Fire Insurance Company, et al.; Case No. 88 CH 6942 (Cir. Ct. Cook Cty. 88 subsidiaries. After initially contesting the liquidation proceedings, the subsidiaries acquiesced to the Director's proceedings, Mr. Hoffenberg may be entitled to conservator were turned over. In this and the other Associated Life Insurance Company, two wholly owned UDC subsidiaries. After initially contesting the liquidation Illinois Insurance Director instituted liquidation proceedings against United Fire Insurance Company and out of its acquisition of the UDC stock. Company is involved in additional litigation arising to acquisition of the UDC stock. In 1988, the

California laws and regulations applicable to collection agencies. Based on these discussions, it is expected that the California Department of Consumer Affairs will, in the near future, issue an "Accusation" alleging that the collection agency license of the Company's California subsidiary is subject to disciplinary action as a result of violations of various sections of the California Business and Professions Code between August 1989 and June 1990, including Professions Code between August 1989 and June 1990, including alleged violations of provisions that require (1) all persons engaged in conduct as a collection agency in California to hold a valid collection agency license for each location at which such conduct is engaged, (11) allcensee to render a tritter with the such conduct the suppaged of the suppag The Company, though counsel, has had discussion with the California Department of Consumer Affairs regarding alleged violations by Towers Collection Services of California, Inc. (a wholly-owned subsidiary of the Company) of certain statement of account and remittance of all money then

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issuance of the Accusation, the Accusation will be dismissed with prejudice in exchange for entry of an Order against Towers' California subsidiary and the stipulation by the subsidiary that it is subject to the jurisdiction and requirements of the Bureau of Collection and Investigative Services of the Department of Consumer Affairs. Pursuant to the Order, it is expected that the collection agency license of Towers California subsidiary will be placed on administrative probation for three years on the following terms and conditions: (i) the subsidiary must obey all laws and regulations related to licensed collection agencies and debt collection, (ii) the records required to be maintained by the California Collection Agency Act must be reviewed by a independent certified public accountant in New York, (iii) must be paid approximately \$31,200 for the costs it incurred, (v) the subsidiary must notify the Bureau, if it ceases California operations and (vi) in the event the terms of the administrative probation are violated, the Bureau may, after and suthorized by law, due to each customer within 60 days after receipt of payment on any claim or account, (iii) a licensee to maintain accounts and records of transactions conducted in California at its address of record for a period of three years and (iv) faithful discharge of obligations regarding form attorney letters. It is also expected that simultaneously with the

> January-March 1991 September-December 1990 July-September 1990 January-March 1990 April-June 1990 October-December 1989 July-September 1989 April-June 1989 January-March 1989 October-December 1988 July-September 1988

\$8.00

\$7.50

\$10.25 \$ 9.50 \$10.00 \$ 8.25

\$8.50 \$7.50 \$8.00 \$7.00

5.62 5.38 9.00

\$4.00 \$4.69 \$4.75

5.50 3.75

\$3.00

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded on the over-the-counter market, and the bid and actual prices thereof are reported by the National Quotation Bureau, Inc. In the "pink sheets." The following table shows the quarterly range of high and low bid prices for the Company's Inc., during the periods indicated, and represents interdealer prices, which do not include retail mark-ups, not necessarily represent actual transactions. Due to the broker-dealer, and may limited trading market for the Company's common stock and the absence of information concerning the Company on file with Exchange Act of 1934, as amended, the stock prices in the following table may not be representative of the prices which may prevail in a more active trading market with greater companies with securities registered under the Securities exchange Act of 1934, as amended, the stock prices which may prevail in a more active trading market with greater access to information of the type required to be provided by Exchange Act of 1934 as amended, the stock prices which access to information of the type required to be provided by exchange Act of 1934 as amended. Exchange Act of 1934, as amended.

As of October 8, 1990, the Company's common stock was held of record (as that term is defined in Securities and Exchange Commission Rule 1295-1 under the Securities Exchange Act of 1934, as amended) by approximately 73 persons. As of that same date, the Company estimates that its common stock was beneficially owned (as that term is defined in Securities and Exchange Commission Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by approximately 580

The Company has paid no dividends since its inception. Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its common stock in the forseeable future. Any future determination as to the payment of cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate.

Related Transactions", the Company has agreed to issue to pBB an option to acquire 400,000 shares of the Company's common stock each year through June 30, 1996 (for an aggregate of 2,000,000 shares) at a price of \$1.00 per share. As of December 31, 1990, 3,810,520 shares of the Company's common stock were owned by persons who are deemed "affiliates" of December 31, 1997, the Company had issued 300,000 shares of its common stock to nonaffiliates in transactions not involving a public offering. As described in Item 7, "Certain Relationships and Related Transactions", the Company has agreed to issue (

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Recent Sales of Unregistered Securities

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brokerage firms to institutional investors pursuant to the exemption from registration under the Act, as amended (the "Act"), set forth in Section 4(2) thereof. Healthcare Receivables-Backed Bonds—Series 1990A. On November 27, 1990, a wholly owned subsidiary of the Company, Towers Healthcare Receivables Funding Corporation-II, issued \$41,500,000 of Healthcare Receivable-Backed Bonds—Series 1990A at par. The Bonds were rated "AA" by Duff & Pholps Credit Rating Co. and were sold by selected NASD member

Promissory Notes at par pursuant to a Confidential Private Offering Document dated October 1, 1990. As of March 31, 1991, \$19,145,000 of Notes have been issued pursuant to this offering. The Notes are unrated and are being offered by the Company and selected NASD member brokerage firms to institutional investors pursuant to the exemption from registration under the Act set forth in Section 4(2) thereof. Healthcare Receivable-Backed Bonds. On July 19, 1990, wholly owned subsidiary of the Company, Towers Healthcare Receivables Funding Corporation, issued \$56,500,000 of Healthcare Receivable-Backed Bonds at par. The Bonds were rated "AA" by Duff & Phelps Credit Rating Co. and were sold by selected NASD member brokerage firms to institutional investors pursuant to the exemption from registration under the Act set forth in Section 4(2) thereof. Recourse Promissory Notes-1990/1991. The Company currently offering up to \$100,000,000 of its Recourse On July 19, 1990, a The Company is

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Recourse Promissory Notes-1990. The Company has issued through September 30, 1990 an aggregate of \$49,983,800 of its Recourse Promissory Notes at par pursuant to a Confidential Private Offering Document dated February 20, 1990. The Notes are unrated and were sold by the Company and selected NASD member brokerage firms to institutional investors pursuant to the exemption from registration under the Act set forth in Section 4(2) thereof Section 4(2) thereof.

Insured Over-Collateralized Guaranteed Class A Bonds. The Company has issued an aggregate of \$1,200,000 of its Insured Over-Collateralized Guaranteed Class A Bonds at par pursuant to an Offering Circular dated July 1, 1989. The Bonds are unrated and are being sold to nonresidents of the United States by the Company. Inasmuch as the Bonds are being offered and sold to nonresidents of the United States, the Company has not registered the offer and sale of the Bonds under the Act due to the inapplicability of the Act to such offers and sales. such offers

> Recourse Promissory Notes—1989. The Company has issued through February 15, 1990 an aggregate of \$50,000,000 of its Recourse Promissory Notes at par pursuant to a Confidential Private Offering Document dated February 15, 1989. The Notes were unrated and were sold by the Company and selected NASD member brokerage firms to "accredited investors," as that term is defined in Rule 501 under the Act, pursuant to the exemption from registration under the Act set forth in Section 4(2) thereof. The Notes

Promissory Notes at par pursuant to a Confidential Private Placement Memorandum dated January 20, 1988. The Notes were unrated and were sold by selected MASD member brokerage firms. Although the Company believed that the offer and sale of the Notes was exempt from registration under the Act pursuant to Section 4(2) thereof, the Securities and Exchange exemption were not met. The Company and certain of its officers and directors consented to the entry of an infinitely and restore the consented to the entry of an injunctive order and agreed to offer rescission to the Note purchasers in order to resolve the allegations made by the Securities and Exchange Commission. Holders of \$445,000 in principal amount of the Notes accepted the offer of Secured Recourse Non-Negotiable Promissory Notes-1988. A wholly owned subsidiary of the Company, Towers Credit Corporation, has issued through August 4, 1988 an aggregate of \$22,000,000 of its Secured Recourse Non-Negotiable rescission.

services rendered to the Company by Messrs. Meyerson and Roock. In February 1991, the Company issued 100,000 shares of common stock each to Thomas Evans and Ben Barnes primarily in consideration for services rendered by Messrs. Evans and Barnes as Directors of the Company. In March 1991, the Company issued 100,000 shares of common stock to Mr. DiNicolas pursuant to the exercise by Mr. DiNicolas of an option to acquire such stock, which option was granted in January 1991, as described under Item 6 — "Executive compensation." In May 1991, the Company issued 100,000 shares of common stock to Charles Chugerman in consideration for services rendered by Mr. Chugerman as a Vice President of the Company. All of these shares were issued by the Company. pursuant to the exemption from registration under 50,000 shares of common stock each to Martin H. Meyerson as Kenneth J. Koock in consideration for financial consulting Common Stock. In October 1990, the Company issued 50,000 shares of common stock each to Martin H. Meyerso Meyerson and

common stock outstanding.

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The authorized capital stock of the Company consists of 100,000,000 shares of common stock, par value \$.001 per share. As of March 31, 1991, there were 4,900,000 shares of Item 11. Description of Registrant's Securities To Be Registered

Holders of shares of common stock are entitled to one vote per share in all matters to be voted on by stockholders, and are entitled to dividends and other distributions as and when declared by the Board of Directors out of assets legally available therefor. The vote of the holders of a majority of shares of common stock is required for the stockholders to take any corporate action. Upon the liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share pro rata in the distribution of all of the Company's assets, subject to the existing claims of creditors. The holders of common stock have no preemptive or preferential rights to purchase shares of common stock, and they are not entitled to the benefits of any sinking fund provisions. Shares of common stock are no subject to any redemption provisions, and are not convertible into any other security or other property of the Company. All outstanding shares of common stock are fully paid and nonassessable.

The transfer agent and registrar for the Company's common stock is The Chase Manhattan Bank, N.A.

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Item 12. Indemnification of Directors and Officers

The Company's Bylaws provide as follows:

He or she shall have no right to reimbursement, however, in relation to any matter to which he or she has been adjudged liable to the Corporation for gross negligence or culpable misconduct in the parformance of his or her duties. The right to indemnify for expenses shall also apply to the expenses of suits which are compromised if the court having jurisdiction of the matter shall The Corporation shall indemnify each of its Directors and officers, whether or not then in office (and his or her executor, administrator and heirs), against all reasonable expenses, including attorneys fees, judgements and fines, actually and necessarily incurred by him or her in connection with the defense of any litigation to which he or with the defense of any litigation to which he or she may have been made a party because he or she is or was a Director or officer of the Corporation.

> approve such settlement. The foregoing right of indemnification shall be in addition to all other rights to which such Director or officer may be entitled, pursuant to the Delaware General Corporation Law.

The Company maintains a directors and officers insurance policy with National Union Fire Insurance Company of Pittsburgh, Pennsylvania.

Item 13. Financial Statements and Supplementary Data

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UPPER MEDOGRAFITIES N. R. 11848 CERTIFIED PUBLIC ACCOUNTANT KILTY SEDELEM THE

MARVIN E. BASSON

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We have audited the accompanying consolidated balance sheet of Towers Financial Corporation and subsidiaries as of June 30, 1990, 1998 and 1988 and the related consolidated statements of income, changes in shareholders' equity, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Towers Financial Corporation as of June 30, 1990, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of recording gross revenues.

Sincerely,

Márvin E. Basson, CPA, P.C. New York, New York May 7, 1991

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COMPOLIDATED BALANCE SHEET:

Accounts Receivable (Nots 3) \$17 Investments (Note 4)	\$177,155,446 2,805,500	\$112,331,892 3,376,241	\$61,270,590 3,600,000
Other Receivables Note Receivable - Officer Property and Equipment - Net	1,061,555 - 3,574,494 515,817	130,354 250,000 1,098,163	1,600,014 250,000 660,111
Pregaid Interest Excess of Cost over Fair Value of Assets Acquired From Majority Shareholder (Notes 1, 2 and 12) Excess of Fair Value of Assets Acquired From Majority Stockholder over Cost (Notes 2 and 12)	458,414	(365, 471)	(625,471)
otal Assets	\$195.562.350	\$ <u>121.731.293</u>	\$ <u>.75.595.192</u>
Liabilities			
₩	64,880,237 92,178,894 3,328,133	\$ 52,501,911 48,599,658 1,082,447	\$ 31,606,396 30,605,000 168,145
Expenses Income Taxes Payable (Note 8) Deferred Income Taxes Payable (Note 8)	7,185,666 13,725,633 841,850	1,860,188 6,584,201 1,683,700	2,338,679 2,385,750 2,558,150
Total Liabilities 18	182,140,413	112,312,105	69,662,120
Stockholders' Equity Common Stock, \$.001 Par Value; 100,000,000 Shares Authorized: Shares Issued and Outstanding: 4,600,000 in 1990, 4,500,000 in 1989 and 1988 Additional Paid in Capital Retained Earnings Total Stockholders' Equity fotal Liabilities and	4,600 445,400 12,911,931 13,421,937	4,500 345,500 9,069,188 9,419,188	4,500 345,500 5,583,072 5,933,072

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Stockholders' Equity

\$195.562.350 \$121.731.293 \$75.595.192

(CYLINATIVE)
INCOMENTS
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MOOM

	Fi	Fiscal Year Ended	ě.
	1990	June 30,	1988
Gross Revenues	\$74,442,718	\$53,269,068	\$43,575,767
Operating Expenses			
Interest on Motes	10,456,292	6,868,423	2.457,833
Salaries and Benefits	14,012,973	9,487,151	5,660,552
Selling	7,558,382	4,552,053	2,633,698
General and Administrative	32,212,322	25,548,339	29,754,287
	64,239,969	46,455,966	40,506,370
Income Before Provision for Income Taxes	10,202,749	6,813,102	3,069,397
Provision for Income Taxes (Note 8)	6,300,000	3,326,986	1,655,900
Net Income	\$_3.902.749	\$_3_486_116	\$_1_413_497
Earnings per Share (Note 10)	\$ 0.86	\$ 0.78 \$	\$ 0.31

	•		
Cash Flows From Operating Activities:	1990	1989	1988
Not Barnings:	\$ 3,902,749	\$ 3,486,116	\$ 1,413,497
Adjustments to Reconcils Not Earnings			
to Net Cash Provided by			
Operating Activities:			
Depreciation and Amortization	412,556	220,908	216,889
Accounts Payable, Accrued		,	
Deferred Income Taxon and	5,325,478	(478,491)	1,572,844
Income Tares Payable	6,299,582	100 405	1 655 000
Payables Due to Clients Met Cash Provided by Crarating	12,378,326	20,895,515	(3,270,537)
Activities	28,318,691	27,448,049	1,590,593
Cash Flows From Investing Activities Firence Receivables Accurred	(181 426 770)		
Pinance Receivables Principal		(600,100,000)	(00,000,077)
Purchase Property and Equipment	7 888 8871	29,726,247	(3,735,649
Proceeds From Disposition/Acquisition	2,000,007	1,000,000	(262, 136)
Installment Payment for Acquisition	570,741	223,759	(000,000)
of Stock in Subsidiaries	(623,885)	(260,000)	(246,241)
Net Cash (Used) in Investing Activities	(69,125,812)	(51,066,113)	(22,778,957)
Cash Flows From Financing Activities			
Processes From Motes Payable Processes From Collection of Note	45,824,922	18,908,960	26,142,612
Processes From Stock Street	250,000	•	•
Net Cash Provided by Financing	100,000		I
ACCIVICION	46,174,922	18,908,960	26,142,612
Net Increase (Decrease) in Cash and		•	
	5,367,801	(4,709,104)	4,954,248
of Fiscal Year	3,825,765	8,534,869	3,580,621
Cash and Cash Equivalents - End			
	\$ <u>9.193.566</u>	\$_3,825,765	\$ 8.534.869
•			

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	Common Stock and Additional Paid In Capital	Retained Earnings	Total Stockholders' Equity	
Balance at 6/30/87	\$ 350,000 \$	4,169,575	\$ 4,169,575	
Net Income		1,413,497	1,413,497	
Balance at 6/30/88	350,000	5,583,072	5,933,072	
Net Income		3,486,116	3,486,116	
Balance at 6/30/89	350,000	9,069,188	9,419,188	
Issuance of Common Stock	100,000		100,000	
Net Income		3,902,749	3,902,749	
Balance at 6/30/90	\$ 450,000 \$	12.971.937	\$12.971.937 \$13.421.93 7	

	and Additional Paid In Capital	Retained Earnings	Stockholders' Equity	
lance at 6/30/87	\$ 350,000 \$	4,169,575	\$ 4,169,575	
Income		1,413,497	1,413,497	
lance at 6/30/88	350,000	5,583,072	5,933,072	
: Income		3,486,116	3,486,116	
lance at 6/30/89	350,000	9,069,188	9,419,188	
wance of Common Stock	100,000		100,000	
Income		3,902,749	3,902,749	
	•		*** *** *** ***	

Summary of Significant Accounting Policies.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 1990

Basis of Presentation

Towers Financial Corporation (formerly known as O. G. Consulting Corp., incorporated in 1983) is a diversified company operating in the acquisition and management of accounts receivable directly and through its wholly owned subsidiaries, Towers Credit Corporation, Towers Collection Service, Inc., Towers Leasing Corporation, TFC Funding Corporation. Corporation and Towers Healthcare Receivables Funding

Towers Financial Corporation formed Towers Diversified Corporation, a wholly owned subsidiary, in October 1987 to acquire United Diversified Corporation. (See Note 4.)

Corporation. Towers Credit Corporation, Towers Collection Service, Inc. and Towers Leasing Corporation were acquired by Towers Financial Corporation in July 1986. The financial statements for each subsidiary were independently audited and have been consolidated for presentation herein. Each of the consolidated for presentation herein. Each of the consolidated subsidiaries is wholly-owned by Towers Financial The subsidiaries were incorporated as follows:

Towers Credit Corporation
Towers Collection Service, Inc.
Towers Leasing Corporation
TFC Ending Corporation
Towers Healthcare Receivables
Funding Corporation Inc. April 1980 March 1985 March 1990 November 1989 October 1982

Towers Collection Service, Inc. succeeded to the business of Transcon Adjustment Group Ltd., which was founded in 1975.

Operations and Consolidations

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (except for United Diversified Corporation, see Note 4) after elimination of material intercompany accounts and

Statement of Cash Flows

In 1987, the Company adopted Statement of Financial Accounting Standard No. 95, "Statement of Cash Flows," and is

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client no longer enter into the calculation.

presenting a statement of cash flows using the indirect method in accordance with AICPA Audit Guide—Audits of Financial Companies, in place of the statement of changes financial position.

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related disclosures. Cash paid for interest was \$12,320,486 in 1990, \$6,727,987 in 1989 and \$2,264,696 in 1988. Cash paid for income taxes was none in 1990, 1989 and 1988. Revenue Recognition FAS 95 requires that the following supplemental disclosures to the statement of cash flows be provided in

recasting of the Company's revenue and costs when compared with the previously published financial statements. However, the recasting has no effect on reported net income. The consolidated statement of income reflects a

As a result of the recasting of the figures, the Company now reflects in gross income only that portion of the receivables that the Company reasonably expects it will retain. The costs of collection previously deducted in arriving at gross profit are now reflected as part of general and administrative expenses and the projected amounts due to the face value of accounts receivable which were either acquired by the Company's factoring subsidiary or were irrevocably assigned to the Company's collection subsidiary. In computing gross profit the Company deducted the projected amounts for payments due to clients, the costs of collection and the uncollectible portions of the receivables. Previously, the Company had included in gross revenue

The factoring operation consists of purchasing, from healthcare providers, receivables owed by major insurance companies. Medicare, Medicaid, Blue Cross/Blue Shield, workmen's compensation, health maintenance organizations, unions and corporate payors of healthcare, and commercial accounts receivable (goods sold and delivered and work, labc and services purchased from companies extending credit to other companies). The fees for the factoring operation are recognized on the purchase of the receivable. labor

The Company's fees for its collection services are recorded on the assignment of the account to the Company a contingent fee rate. Actual Fees vary with the nature and volume of service performed and are dependent on contract terms.

Income on RTC/FDIC loans is recognized as they are

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of assets, ranging from three to five years.

operations as incurred. Leasehold improvements are amortized over the term of the lease or the estimated life of the improvement, whichever is shorter. Maintenance and minor repairs are charged to

Goodwill

The Company intends to in accordance with APB 16. amortize goodwill over 40 years

Accounting Change

taxes. The Company has changed its method of reporting income . (See Note 8.)

Cash and Cash Equivalents

The Company treats all assets that qualify as cash equivalents under FAS Statement 95 as cash equivalents.

Capital Leases

ending in fiscal year 1998. The Company has leases with GE Capital Corporation Services Company) for telephone equipment. The leases provide for monthly payments of \$13,522.69 for 10 years, (RCA

The Company has a lease with BLT Leasing Company for computer equipment. The lease provides for monthly payments of \$4,002.87 for five years, ending in fiscal year 1993.

The Company has a lease with Atlantic Computer Corporation for computer equipment. The lease provides for monthly payments of \$13,244.39 for seven years, ending in fiscal year 1997.

Acquisition.

Credit Corporation, Towers Collection Service, Inc. and Towers Leasing Corporation from Professional Business Brokers, Inc. in July 1986. The Company acquired 80% of the common stock of Towers (See Note 12.)

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In fiscal year 1987, the Company acquired the remaining 20% of the common stock of these corporations from Professional Business Brokers, Inc. In consideration for the common stock and the waiver by Professional Business Brokers, Inc. of a portion of the amounts due to Professional Business Brokers, Inc. in prior years, the Company and Professional Business Brokers, Inc. has the company and Professional Business Brokers, Inc. have agreed that the Company will pay 5% of its gross profits before expenses and before provision for taxes for a period of seven years, commencing July 1, 1988, to Professional Business Brokers, Inc.

to Professional Business Brokers, Inc. by the Company for the three years ended June 30, 1990: The following table identifies the amounts owed and paid

Professional Business Brokers, Inc. waived the difference between the amount paid and the amount owed with respect to the fiscal year ended June 30, 1988 and has agreed to defer the payment of such difference with respect to the fiscal years ended June 30, 1990 and 1989. The Company is presently revising the terms of its agreement with Professional Business Brokers, Inc. The final cost is still to be	1990 1989 1988	Fiscal Year Ended June 30
rokers, Inc. walved and the amount own une 30, 1988 and haference with respect 90 and 1989. The final cost is	\$2,792,142 1,817,372 1,029,420	Amount
the difference ad with respect to as agreed to defer it to the fiscal company is presently crofessional still to be	\$823,885 260,000 246,241	Amount Paid

<u>ن</u>ا Accounts Receivable.

determined. Bus

Accounts receivable consists of the following major categories of receivables:

Time		Healthcare Accounts	Commercial Accounts	Collection and	
	\$177,155,446	13,386,111	\$163,769,335	1990	
	\$177,155,446 \$112,331,892		\$112,331,892	1989	As of June 30
	\$61,270,590		\$61,270,590	1988	

• THYESTMENTS

The Company acquired an 82% interest in United Diversified Corporation ("UDC"), an insurance holding company, in 1987. Within six months of the acquisition, UDC was placed into receivership by the Illinois Insurance

Director, and the Company thereupon ceased to have access to information concerning the financial condition of UDC. The Company's investment in UDC, \$2.805,500, is presented at cost. The Illinois Insurance Director has instituted a legal action to take possession of all assets of UDC. Management believes that the Illinois Insurance Director will not prevail and that the Company will ultimately be determined to be entitled to all assets of UDC, in which case the Company would experience no loss on this investment. Conversely, if the Illinois Insurance Director does prevail, the Company would sustain a total loss of this investment subject to possible recovery in a currently pending action for rescission of its acquisition of UDC.

Notes Payable

the volume of business the Company generates and how quickly the receivables can be collected, thereby providing funds for further purchases. The Company has funded its factoring and portfolio acquisition capital requirements primarily through the sale of debt in the capital markets. The Company's factoring and portfolio acquisition businesses require substantial capital to fund the portion of the purchase price payable upon acquisition of the receivables. The amount of capital required is dependent on

The following table provides certain information concerning certain outstanding debt of the Company and its subsidiaries as of June 30, 1990:

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Long-Term Debt.

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Name of Issue	Type of Issue	Quistanding	Haturity	Per Annum Interast <u>Pates</u>	Collateral
Secured Recourse Normegoitable Promissory Notes19	Private Placement Capital Harkets Paa	\$12,735,000	1 years	18%	Commercial Accounts Receivable acquired with the proceeds of the Notes
Various Bank Lines	Commercial Loans	\$ 1,365,000	(A)	16% and 18% (B)	Commercial Accounts Receivable acquired with the proceeds of the loans
Insured Over- Collarteralized Class A Bonds	Foreign Flacement Capital Harkets	\$ 1,193,094	(C)	(C)	Healthcare Accounts Receivable acquired with the proceeds of the Notes
Recourse Frantssory Nates-1989	Private Placement Capital Markets	\$50,682,600	(A)	14% and 16% (E)	Healthcare and Business Accounts Receivable acquired with the proceeds of the Notes
Recourse Promissory Notes-1990	Private Placement Capital Markets	\$16,203,200	(A)	13% and 15% (B)	Healthcare And Business Accounts Receivable acquired with the proceeds of the Motes
Promissory Notes- Bank of Cape Verde	Commercial Loan	\$10,000,000	2 years	15% and 18% (D)	Mealthcare and Business Accounts Receivable acquired with the proceeds oth the Notes.

⁽A) Investors elected maturities of either one or two years. At maturity, this Company, has, in the , given purchasers of the Secured Recourse Mon-Megotiable Promissory Notes, the Insured -Collateralized Class A Bonds, the Recourse Promissory Notes-1989 and the Recourse Promissory Notes-1990 belief the proceeds through the purchase of the promissory notes then being affered by the any at the interest rate in effect at the time the investor initially invested.

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Later:Years Total payments

1996

1991 1992 1993 1994 1995

369,239 369,239 329,212 321,205 321,205 321,205

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Year Ending June 30

Equipment
Less: Accumulated
Depreciation \$1,020,764 \$1,327,989

The following is a schedule by years of future lease payments under capital leases:

\$661,816 90,249 \$367,701

The following is an analysis of the Company's capital leases: June 30, 1990 Balance June 30, 1989 June 30, 1988

\$828,549

\$357,950

Leases.

The Company leases all office space utilized by the Company and substantial portions of its equipment. The Company's corporate headquarters in New York City occupy approximately 100,000 gross square feet for which the Company pays \$1,820.875 annually (subject to adjustment for increases or decreases in the landlord's taxes and costs of providing certain building services) pursuant to subleases which expire in 1996. The Company's regional sales offices are all leased for one or two years or are rented on a month-to-month tenancy with annual rental payments aggregating \$265,525.

The Company's long-term debt includes a bank loan with a remaining principal balance of \$1,513,209 of which \$1,357,834 is categorized as long-term. The loan is secured by equipment, bears interest at 11.25% per annum and matures in October 1996. The remaining long-term debt consists of the long-term portion of the Company's capital lease obligations to GE Capital Corporation (RCA Services Company). Atlantic Computer Corporation and BLT Leasing Company which long-term portion aggregates \$1,599,813. See Note 7.

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⁸⁾ The one-year debt carried the lower of the two interest rates. The two-year debt carried the of the two interest rates.

Interest rates were privately negotiated between the Company and the investors and ranged from 11% in annum. Original maturities ranged from one to five years.

⁽D) The first \$3,000,000 bears interest at 18% per annum, and the ramminder bears interest at 15% per

years.

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Less: Amount representing estimated executory costs (such as taxes, maintenance and insurance), including profit thereron, included in testal maintenance. total minimum lease

"Accounting for Income Taxes," was issued in December 1987 and is presently being revised and establishes financial accounting and reporting standards for the effects of income taxes which result from an enterprise's activities during the current and preceding years. The Company was not required to adopt this statement until its year ending June 30, 1990, although earlier adoption is permitted. When adopted, the Company is given the choice of reflecting the effect of the change in the year of adoption or of restating any number of years. Statement of Financial Accounting Standards No. 96. Income Taxes.

Accordingly, the Company has elected to adopt Statement of Financial Accounting Standards No. 96 for the current fiscal year. Since the Company had not previously recognized any deferred tax assets, the financial statements were not affected.

Deferred income taxes resulted from the previous use the cash method of accounting for tax purposes, and are decreasing pursuant to the phase-in permitted by the Tax Reform Act of 1986.

Towers Financial Corporation's Income Tax Rate for 1990. 1989 and 1988 (computed by applying the U.S. federal income tax rate of 34% to income before income taxes) differs from the actual effective income tax rate as a result of the following:

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lease payments Present value of net Less: Amount representing Net lease payments \$1,911,073 \$ 396,302 797,563

\$1..113.510

The Company's operating leases all expire during the year ending June 30, 1992 and the future rental payments required under those leases aggregate \$566,736 for each of the next two fiscal years.

Earnings Per Share

On August 7, 1987, the Company granted Martin H. Meyerson and Kenneth J. Koock a right to purchase 50,000 shares each of the Company's common stock, at a price of \$1 per share, in consideration for certain investment banking services rendered to the Company. These options were fully exercised during the year ended June 30, 1990.

1989 and 1988. The earnings per share are based on a weighted average in shares outstanding of 4,529,315 in 1990, and 4,500,000

11. Commitments.

See Note 2 relating to the acquisition of Towers Credit Corporation, Towers Collection Service, Inc. and Towers Leasing Corporation.

Related Parties.

Professional Business Brokers, Inc. owns in excess of 70% of the Company's issued and outstanding stock. See Note 2 for details of the transaction between the Company and Professional Business Brokers, Inc.

13. Subsequent Events.

On July 17, 1990, Towers Healthcare Receivables Funding Corporation, a wholly owned subsidiary of the Company, issued \$56.5 million of debt maturing on July 15, 1992 (subject to extension at the option of each debt holder to November 15, 1993) bearing interest at 10.2% per annum (and interest, 1993) bearing any extended maturity period, at 200 basis points over the interest rate on two-year U.S. Treasury Notes immediately

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Plus: State and Local Taxes,
Net of Federal Benefit

4.512

13.166

16.636

Tax at Statutory Rate

34.000%

34.000%

34,000%

1988

1990

Plus: Nondeductible

Interest and Penalties

23.540 62.052

03,313

18.832 01.666 -56-

The Company is not liable on the debt of Towers Healthcare Receivables Funding Corporation, but does act as the servicer of the accounts receivable owned by the issuing subsidiary. The healthcare accounts receivable securing the debt of Towers Healthcare Receivables Funding Corporation are not available to creditors of the Company or other subsidiaries of the Company. preceding November 15, 1991). The debt was privately placed with institutional investors and is secured by healthcare accounts receivable sold to Towers Healthcare Receivables Funding Corporation by the Company, the purchase price of which was paid with the proceeds of the debt issue.

UNAUDITED CONSOLIDATED BALANCE SHEET:

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Total Liabilities and Stockholders' Equity	Common Stock, \$.001 Par Value; 100,000,000 Shares Authorized; Shares Issued and Outstanding; 4,600,000 in 1990 and 4,500,000 in 1989 Additional Paid in Capital Retained Earnings Total Stockholders' Equity	Total Liabilities Stockholders' Equity	Due to Clients Bonds and Notes Payable (Note 3) Loans Payable Accounts Payable and Accrued Expenses Income Taxes Payable Deferred Income Taxes Payable	Total Assets Liabilities	EXCESS OF Cost over Fair Value of Assets Acquired from Majority Stockholder Excess of Fair Value of Assets Acquired From Majority Shareholder Over Cost	Prepaid Interest Property and Equipment-Net Security Deposits	Accounts Receivable Investments Cash and Cash Equivalents Other Receivables Note Receivable	Assets
\$281.945.037	4,600 445,400 14,937,039 15,387,039	\$266,557,99B	\$ 31.451,332 220,949,357 3,178,366 8,409,685 2,569,258	\$281.945.03 <u>7</u>	442,162	1,142,021 3,636,114 487,176	\$203,213,086 2,805,500 68,730,276 1,488,702	As of Dec 1990
\$132.324.709	4,500 345,500 10,964,365	\$121.919.34 \$	\$ 42,514,669 64,183,243 2,618,654 1,607,392 8,402,686 1,683,700	\$132,324,709	(328,677)	430,550 3,228,123 452,176	\$118,551,693 3,376,659 6,211,300 152,885 250,000	of December 31, 1989

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	UNAUDITED C
	CONSOLIDATED
	STATEMENT
	OF
XiS	INCOME
Months	
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	Six Months December	x Months Ended December 31, 1989	
Gross Revenues	\$41,429,391	\$22,612,913	
Operating Expenses			
Interest on Notes	12,368,617	4,590,210	
Salaries and Benefits	9,183,052	6,134,267	
Selling	4,388,810	1,097,296	
General and Administrative	12,086,138	7,075,163	
	\$38,026,617	\$18,896,936	
Income Before Provision For Income Taxes	\$3,402,774	\$3,715,977	
Provision for Income Taxes	1,437,672	1,820,800	
Net Income	* 1.965.102	\$_1.895.17Z	
Earnings Per Share	0.43	\$ 0.42	

Balance at December 31, 1990	Net Income	Balance at June 30, 1990	Balance at December 31, 1989	Net Income	Balance at June 30, 1989
\$ 450.000		\$450,000	\$350.000		\$ 350,000
\$14.937.039	1,965,102	\$12,971,937	\$10.964.365	1,895,177	\$ 9,069,188
\$14.937,039 \$15.387.039	1,965,102	\$12,971,937 \$13,421,937	\$10.964.365 \$11.314.365	1,895,177	\$ 9,069,188 \$ 9,419,188

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Retained Stockholders'
Earnings Equity

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1. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (except for United Diversified Corporation).

These financial statements should be read in conjunction with the consolidated financial statements included in the Company's 1990 Annual Report to shareholders and Form 10.

The information furnished herein reflects all adjustments, which consists only of normal recurring accruals, which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim period.

The Company is not liable on the debt of Towers Healthcare Receivables Funding Corporation-II, but does act as the servicer of the accounts receivable owned by Towers Healthcare Receivables Funding Corporation-II.

Earnings per share are based on a weighted average common shares outstanding of 4,600,000 in 1990 and 4,500,000 in 1989.

3. On November 27, 1990, Towers Healthcare Receivables Funding Corporation—II, a wholly owned subsidiary of the Company, issued \$41.5 million of debt maturing on December 15, 1993, bearing interest at 9.75\$ per annum. The debt was privately placed with institutional investors and is secured by healthcare accounts receivable acquired by Towers Healthcare Receivables Funding Corporation—II from the Company with the proceeds of the debt issue.

Item 14. Changes in and Disagreements With Accountants Accounting and Financial Disclosure.

None.

Item 15. Financial Statements and Exhibits

Financial Statements filed as part of the Registration Statement:

Consolidated Statements of Income for the fiscal years ended June 30, 1988, 1989 and Consolidated Balance Sheets as of June 30 1988, 1989 and 1990.

Consolidated Statements of Retained Earnings as of June 30, 1988, 1989 and 1990.

Consolidated Statements of Cash Flows, Increase (Decrease) in Cash and Equivalents for the fiscal years ended June 30, 1988, 1989

Notes to Financial Statements.

December 31, 1990 Unaudited Consolidated Balance Sheet as

Unaudited Consolidated Statement of Income as of December 31, 1990

Earnings as of December 31, 1990 Unaudited Consolidated Statement of Retained

Statement of Changes in Stockholders' Equity

Articles of Incorporation and Bylaws.

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- <u>(2</u> Porm of Promissory Note and Form of Security Agreement for Recourse Promissory Notes (1990);
- Trust Indenture, dated as of July 1, 1990, by and between Towers Healthcare Receivables Funding Corporation and The Connecticut National Bank relating to the Healthcare Receivables Backed Bonds;

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- (a) Trust Indenture, dated as of November 1, 1990, by and between Towers Healthcare Receivables Funding Corporation—II and the Connecticut National Bank relating to the Healthcare Receivables Backed Bonds—Series 1990A.
- 9 Form of Promissory Note and Form of Security Agreement for Recourse Promissory Notes (1990/1991).
- <u>e</u> Voting Trust Agreement between Mitchell Brater and Sovereign Holdings, Ltd., dated December 20, 1989. Sublease Agreements between Towers Financial Corporation and Associated Dry Goods Corporation with respect to space at 417 Fifth Avenue, New York, New York;

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- 9 Agreements between Towers Financial Corporation and Professional Business Brokers, Inc. dated July 9, 1986 and [], 1991;
- 6 Payroll Services Agreement among TFC
 Management, Inc., Towers Leasing Corporation,
 Towers Coredit Corporation, Towers Collection
 Services, Inc., and Towers Financial
 Corporation dated [], 1991.*
- â Stock Option granted by Towers Financial Corporation to Mr. Anthony DiNicolas dated January 4, 1991.
- (22) (28) (a) List of Subsidiaries of the Company is incorporated by reference to Footnote 1 of Notes to Financial Statements. Form of commercial accounts receivable
- ਉ Form of purchase contract for acquisition of a loan portfolio. purchase agreement.
- 0 Form of Franchise Agreement.*

amendment.

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be filed by

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Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized. Ŗ TOWERS FINANCIAL CORPORATION Vice Chairman of the Board and Chief Operating Officer Mitchell Brater

Date: July 17, 1991

34071/74080

SIGNATURES

	EXHIBIT
	XIGHT

EXHIBIT NUMBER

v	4(e)	*(d)	4(c)	* (b)	4(a)
Voting Trust Agreement between Mitchell Brater and Sovereign Holdings, Ltd., dated December 20, 1989.	Form of Promissory Note and Form of Security Agreement for Recourse Promissory Notes (1990/1991).	Trust Indenture, dated as of November 1, 1990, by and between Towers Healthcare Receivables Funding Corporation—II and the Connecticut National Bank relating to the Healthcare Receivables Backed Bonds—Series 1990A.	Form of Non-Negotiable Recourse Promissory Note and Form of Security Agreement for Recourse Promissory Notes (1989).	Trust Indenture, dated as of July 1, 1990, by and between Towers Healthcare Receivables Funding Corporation and The Connecticut National Bank relating to the Healthcare Receivables Backed Bonds;	Articles of Incorporation and Bylaws. Form of Promissory Note and Form of Security Agreement for Recourse Promissory Notes (1990);

28(b)

Form of purchase contract for acquisition of a loan portfolio.

Form of commercial accounts receivable purchase agreement.

List of Subsidiaries of the Company is incorporated by reference to Footnote 1 of Notes to Financial Statements.

28(a)

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10(d)

Stock Option granted by Towers Financial Corporation to Mr. Anthony DiNicolas dated January 4, 1991.

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10(4)